

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Chandler, Arizona
Fiscal Year Ended June 30, 2004



Calendar Year 2003 has been referred to as the “Year of Transportation” in Chandler, Arizona, due to all of the traffic activity the City is experiencing. As one of the fastest growing cities in the nation, Chandler is coping with increased traffic. This Geographic Information System (GIS) map shows the locations of street intersections that are part of the Traffic Communications Network. The Santan Freeway that is under construction will connect the East Valley with the 101 and Interstate 10.



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CITY OF CHANDLER, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

Boyd Dunn, Mayor

Phillip Westbrooks, Vice-Mayor

Lowell Huggins, Councilmember

Donna Wallace, Councilmember

Bob Caccamo, Councilmember

Matt Orlando, Councilmember

Martin Sepulveda, Councilmember

Executive Staff:

Mark Pentz, City Manager

Patrick McDermott, Assistant City Manager

Rich Dlugas, Assistant City Manager

Prepared by:

Management Services Department

Patricia Walker, Director

Cynthia Sneed, Accounting Manager



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CITY OF CHANDLER, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2004

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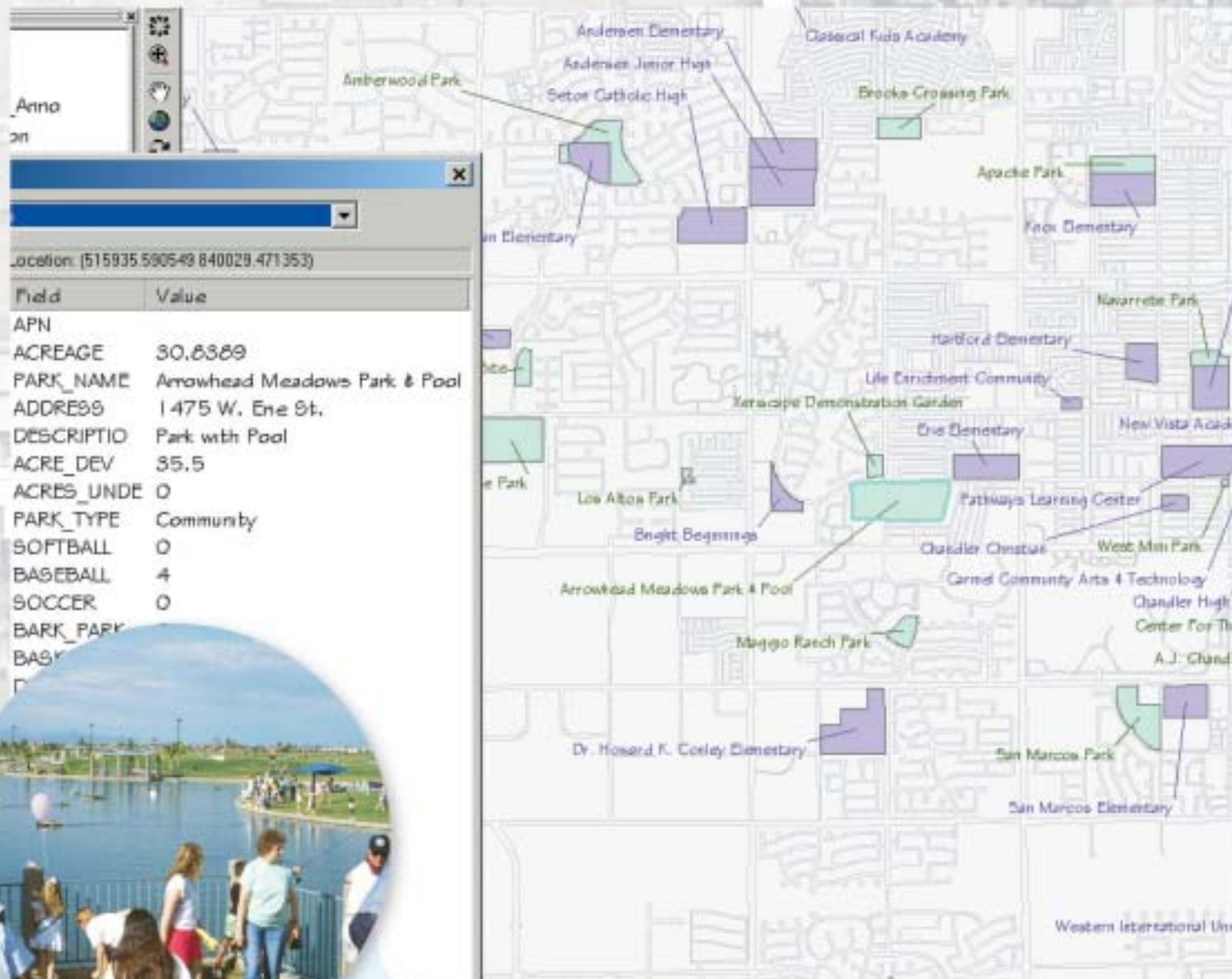
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INTRODUCTORY SECTION

The introductory section includes the letter of transmittal, an organizational chart, and the Certificate of Achievement for Excellence in Financial Reporting.



This GIS map shows the locations of parks and the amenities that are offered at the particular locations. Other locations such as libraries, museums and pools are of interest to the Community Services Department. The locations are represented by polygons that outline the particular site area.



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October 31, 2004

Honorable Mayor, members of the City Council, City Manager and citizens of the City of Chandler:

The comprehensive annual financial report of the City of Chandler, Arizona (the City), for the year ended June 30, 2004, is hereby submitted in accordance with City Charter and state statutes. Both the City Charter and state statutes require that the City issue annually a report on its financial position and activity, and that this report be audited by an independent certified public accountant. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Award. The financial section includes the basic financial statements and required supplementary information which includes the Management's Discussion and Analysis, as well as the independent auditors' report thereon, government-wide, the combining and individual fund financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Chandler's MD&A can be found immediately following the report of the independent auditors.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued report.

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Chandler, Arizona 85244-4008

Management Services

Telephone (480) 782-2250
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Chandler, Arizona 85225

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City, incorporated on February 17, 1920, is located in the southeastern portion of Maricopa County (the County), and encompasses approximately 63 square miles. The City has operated under a council-manager form of government since May 25, 1964, and is governed by the City Council, consisting of a mayor and a seven member council. Council members are elected at-large on a staggered basis; the mayor is elected for a two-year term and council members are elected for four-year terms. The City Council is vested with policy and legislative authority, and is responsible for passing ordinances, adopting the budget, appointing committee, commission and board members, and appointing the positions of City Manager, City Attorney, City Clerk and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City is one of the fastest growing communities in the County and is one of several major cities comprising the greater Phoenix metropolitan area, which is the economic, political and population center of the state of Arizona. Between 1992 and 2004, the City's population increased by over 100 percent, from 100,416 to 224,644. The City's tremendous growth is attributable to the growth in its manufacturing sector, which is led by high-tech industrial companies such as Intel, Motorola, and Microchip Technology. These three companies combined employ 14,250 in the City.

The City boasts a strong labor market serving the high technology field's demand for skilled workers. Resident population has a median age of 31.2 years and a median household income of approximately \$71,190. In addition, approximately 77 percent of the population has a college degree or some college education. The City has an expanding high technology base. Over 75 percent of the City's manufacturing employees are in high technology fields; the national average is 15 percent. Unemployment averaged 3.1 percent for fiscal year 2003/2004.

The City's outlook for sales tax revenue is positive. The City is experiencing continued growth in its retail sector with the Chandler Fashion Center. This upscale retail mall includes a movie theater and well-known fashion stores such as Nordstrom's, Robinson-May, and Dillard's. Also included are restaurants such as the Cheesecake Factory, P.F. Chang's, and many others. For the fiscal year ended June 30, 2004, City sales tax increased by 11.9 percent, or \$7.2 million, over the previous fiscal year.

The growth in the various sectors of the City's economy is reflective of the positive growth trends of the Phoenix metropolitan area and of the state of Arizona. The County's population is approximately 3.3 million, making it the 4th most populous county in the nation. The state's population reached 5.6 million in 2003, representing a 2.9 percent increase over the previous fiscal year. The State's unemployment rate of 5.1 percent is comparable with the national average of 5.6 percent.

MAJOR INITIATIVES

For The Year

In response to the direction set by the Mayor and Council, top priority was given to quality of life issues during the 2003/2004 fiscal year. The City is proud of the following accomplishments enhancing residents' quality of life:

- Completed the remodeling of "Pages @ the Downtown Library" to create a more functional and attractive reading, popular materials, and programming space and enhanced the Friends' retail area.
- Completed construction of Phase 3 of Tumbleweed Park. La Paloma and Chuparosa Parks were completed and dedicated and Los Arboles Park was constructed.
- Completed construction of Fire Station #8 located at 811 W. Frye Road.

- Completed the 5 MGD expansion of the Airport Water Reclamation Facility to serve new growth in the southeast portion of the City.

Department Focus

The Public Works Department is committed to providing safe, reliable, cost effective infrastructure and services to enhance the quality of life in Chandler. The department consists of two divisions, Engineering and Transportation and Operations. Some highlights of the Department include:

- Becoming the first city in Arizona and the fifteenth agency in the United States to earn national accreditation from the American Public Works Association.
- Administered 70 capital improvement program construction projects, for a total of \$69 million. Change orders on closed out projects were less than 1.8% of the overall construction costs.
- Completed pavement rehabilitation on 35 lanes of arterial/local streets, completed 57 lane miles of slurry and micro seal, 70 lane miles of acrylic seal and 27 miles of asphalt millings in alleys.
- Installed 1,100 new streetlights through land development and capital improvement projects, performed ongoing maintenance on over 23,000 streetlights and 153 traffic signals, installed 17 new permanent traffic signals and 7 temporary span wire signals throughout the City.
- Invested in capital improvement projects in Downtown: added period lighting along Boston Street, Commonwealth Avenue and Buffalo Street, created two new parking areas for Old Towne Market Square and Downtown, repaved alleys to serve the Downtown Merchants and created directional signing downtown.

For The Future

The City Council continues to develop strategies to achieve its overall goal of making the City a great place to live, work and play. These strategies include a commitment to continue to improve the City's financial strength, a commitment to hold the line on tax and fee increases, a commitment to the City's employees, and a commitment to quality of life improvements. To this end, several key initiatives in the 2004/05 fiscal year include:

- Continuing Neighborhood Revitalization. The City will continue to preserve older neighborhoods through various neighborhood program initiatives and support of neighborhood improvement projects through grants.
- Assisting Aging Commercial Centers: The City's goal is to continue retention and expansion visits to identify distressed strip shopping centers and devise programs for improvements and assistance.
- Improving Transportation: The City will continue the evaluation of corridors relative to capacity improvements while maintaining quality aesthetic appearance and improve public transit.

FINANCIAL INFORMATION

Internal Control Structure

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and various other City staff, as needed.

Single Audit

As a part of the City's single audit, described earlier, tests were made of the City's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. The audit for the fiscal year ended June 30, 2004, disclosed no material internal control weaknesses or material violations of laws and regulations.

Budgetary Controls

The City maintains budgetary controls as an integral part of its overall system of internal controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, capital projects funds, enterprise funds and internal service funds are included in the annual appropriated budget. The level of budgetary control, i.e., the level at which expenditures cannot legally exceed the appropriated amount, is the total budget, as adopted (e.g., FY 2003/2004, \$636,460,827). The City additionally exercises management control and oversight of the budget at the department level within each fund and maintains an encumbrance accounting system as another method of maintaining budgetary control. Encumbered amounts do not lapse at fiscal year-end and subsequent year(s) expenditures against those encumbrances are charged against an encumbrance reserve established at the end of the preceding year(s).

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices

The cash management program of the City provides for the continuous investment of all idle funds. Also, the City utilizes a pooled cash and investment concept for all funds. Each fund type's portion of the pool is displayed in the financial statements as Equity in Pooled Cash and Investments. Cash temporarily idle during the fiscal year was invested primarily in the State of Arizona's Local Government Investment Pool (LGIP) and external investment management firms. In addition, the City may invest in direct obligations of the United States of America or any agency thereof, or any obligation guaranteed by the United States of America or any of its agencies. It is the City's investment policy to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, all cash deposits were either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized.

Risk Management

The City maintains and has substantially funded a self-insurance program for its liability, property, worker's compensation and group insurance coverage needs. Public liability, property claims and worker's compensation are administered by the City's Risk Management division in the Management Services Department. Liabilities for these claims, as reported in the financial statements, are based on independently prepared actuarial reports and historical analyses performed by the City. Excess commercial coverage is purchased for claims above the City's self-insurance retention and this coverage is obtained via a competitive bidding process.

At June 30, 2004, the City's reserve for self-insurance claims amounted to \$30 million.

OTHER INFORMATION

Independent Audit

City Charter and state statute require an annual audit by a firm of independent certified public accountants and the firm of Heinfeld, Meech & Co., has been selected by the City to uphold this requirement. In addition to meeting the requirements set forth in City Charter and state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 and the related U.S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The Auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Awards

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chandler, Arizona for its comprehensive annual financial report for the year ended June 30, 2003, marking the twenty-second consecutive year the City has received the GFOA Certificate of Achievement. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a municipal government financial report.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgment

I wish to express my sincere thanks to the entire staff of the Accounting Division, without whose assistance this report could not have been prepared. Their dedicated services, in addition to the services provided by other members of the Management Services Department, have made this report possible. Finally, I wish to thank the Mayor and Council, the City Manager and City Staff for their continued support.

Respectfully submitted,

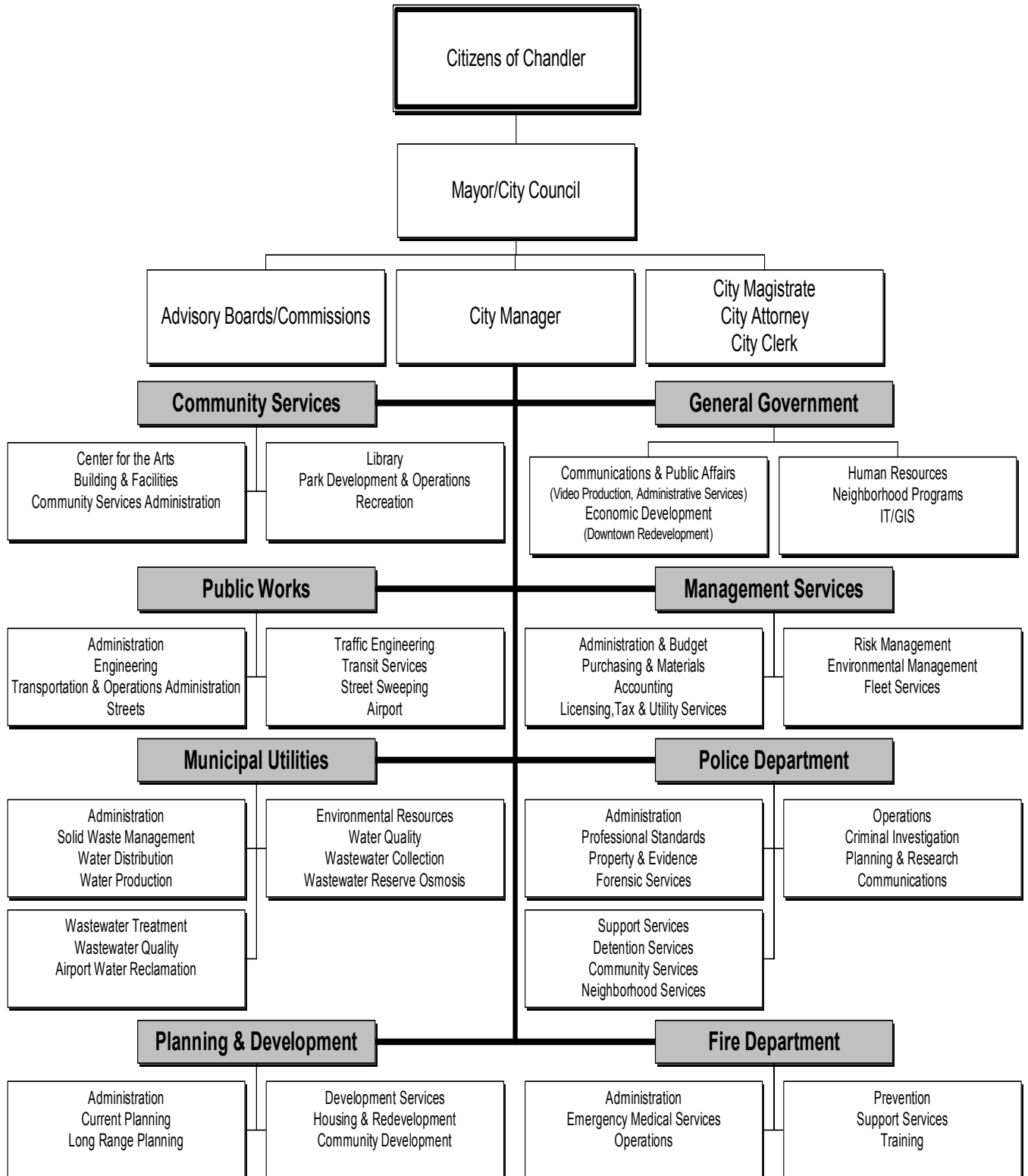


Patricia A. Walker
Management Services Director



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City of Chandler, Arizona Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chandler,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

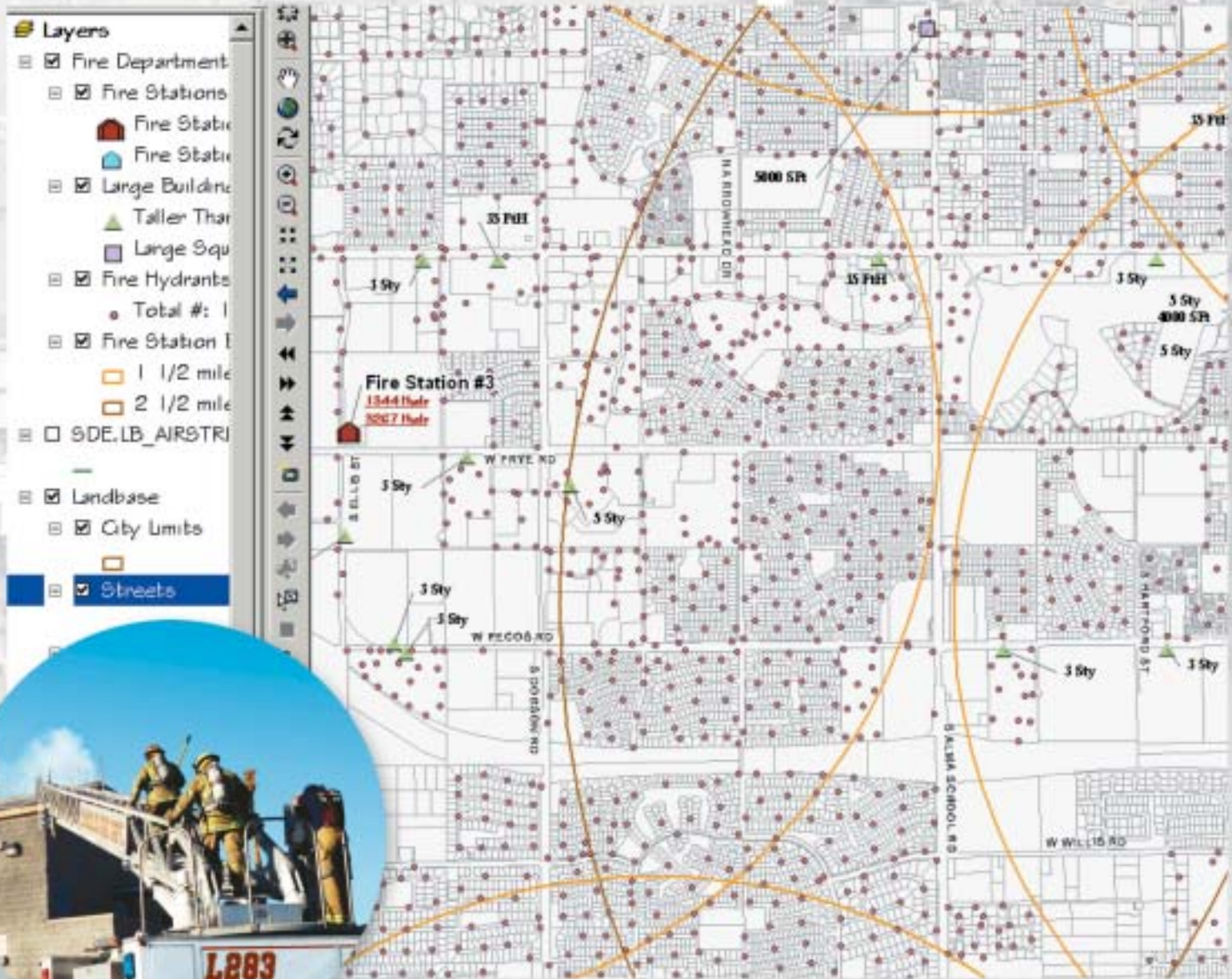


President

Executive Director

FINANCIAL SECTION

The financial section includes the City's independent auditors' report, management's discussion and analysis, basic financial statements, required supplementary information, and financial statements for individual funds.



This GIS map shows the locations of some of the Fire stations, large square footage and multi-storied buildings, 1.5 and 2.5-mile buffers around each Fire station, and the number of fire hydrants within the buffer zones. The Fire Department evaluates this information for public fire protection.



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Chandler, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chandler, Arizona (the "City") as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chandler, Arizona, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 18 and budgetary comparison information on pages 70 and 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 14, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)



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As management of the City of Chandler (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal beginning on page one and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis, provide these significant key financial highlights for 2004 as follows.

- The City's total net assets of \$416.0 million in governmental activities and \$398.5 million in business-type activities represent 51% and 49% respectively, of the total net assets of \$814.6 million.
- General revenues from governmental activities accounted for \$146.0 million in revenue, or 70% of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$62.9 million or 30% of total governmental activities revenues. The City had \$109.5 million of program revenues and \$955 thousand in general revenues and transfers related to business-type activities.
- The major governmental fund, the General Fund, had \$156.3 million in revenues, which primarily consisted of local taxes, intergovernmental taxes, charges for services, and licenses and permits. The total expenditures of the General Fund were \$128.6 million and the fund balance increased from \$169.6 million to \$176.7 million.
- Net assets of the Internal Service Fund increased \$1.2 million. Operating expenses of \$6.4 million exceeded operating revenues of \$4.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Net assets are categorized as capital assets less related debt, restricted by a outside third party, and unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, community services, community development, and public works. Sales taxes, state shared revenues, and charges for services finance most of these activities.
- **Business type activities** – The services provided by the City included here are water, wastewater, solid waste, airport services, and housing authority. The services are financed through user fees and charges.

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

- **Component units** – The discretely presented component units are the Chandler Industrial Development Authority and the Chandler Cultural Foundation.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 27 and 29, respectively.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules in the supplemental section of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, solid waste, airport, and housing services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance fund. Because the self-insurance fund is funded predominantly by governmental functions rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, and solid waste services, all of which are considered to be major funds of the City. Data from the other two enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major enterprise funds are provided in the form of combining statements and schedules in the supplemental section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual budget for all governmental and enterprise funds. A budgetary comparison schedule has been provided for the General Fund as required supplementary information.

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

GOVERNMENT-WIDE FINANCIAL ANALYSIS

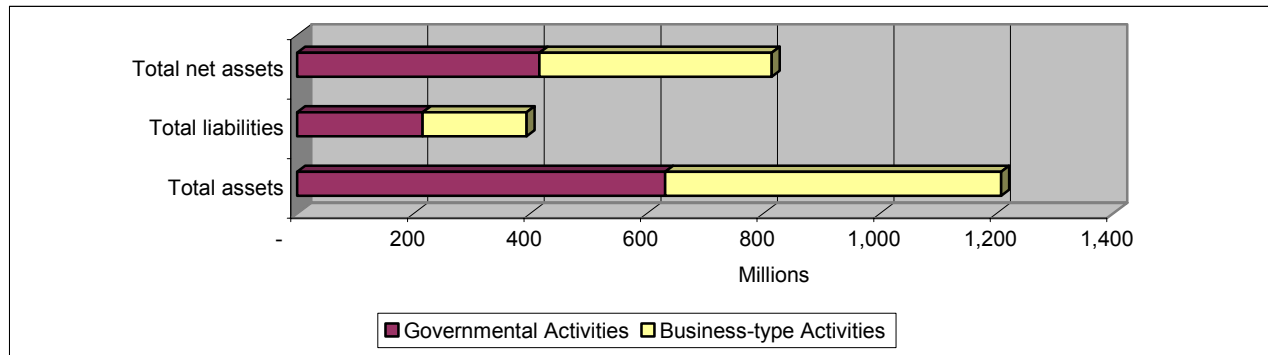
Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$814.6 million as of June 30, 2004.

A significant portion of the City's net assets (44% percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a condensed statement of the City's net assets for the fiscal year ended June 30, 2004.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2004	2003	2004	2003	2004	2003
Current assets	\$ 331,796,187	\$ 337,817,824	\$ 169,785,510	\$ 164,293,597	\$ 501,581,697	\$ 502,111,421
Capital assets, net	298,530,453	242,354,198	402,268,224	391,518,252	700,798,677	633,872,450
Non-current assets	1,320,767	1,431,644	4,708,267	4,825,664	6,029,034	6,257,308
Total assets	631,647,407	581,603,666	576,762,001	560,637,513	1,208,409,408	1,142,241,179
Current liabilities	42,769,242	42,337,265	21,358,343	22,657,080	64,127,585	64,994,345
Non-current liabilities	172,856,890	179,770,730	156,856,452	164,690,663	329,713,342	344,461,393
Total liabilities	215,626,132	222,107,995	178,214,795	187,347,743	393,840,927	409,455,738
Net assets:						
Invested in capital assets, net of related debt	101,665,063	55,963,968	252,117,283	232,259,546	353,782,346	288,223,514
Restricted	103,169,305	117,111,402	63,985,390	37,198,611	167,154,695	154,310,013
Unrestricted	211,186,907	186,420,301	82,444,533	103,831,613	293,631,440	290,251,914
Total net assets	\$ 416,021,275	\$ 359,495,671	\$ 398,547,206	\$ 373,289,770	\$ 814,568,481	\$ 732,785,441



The following are significant current year transactions that have had an impact on the Statement of Net Assets.

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

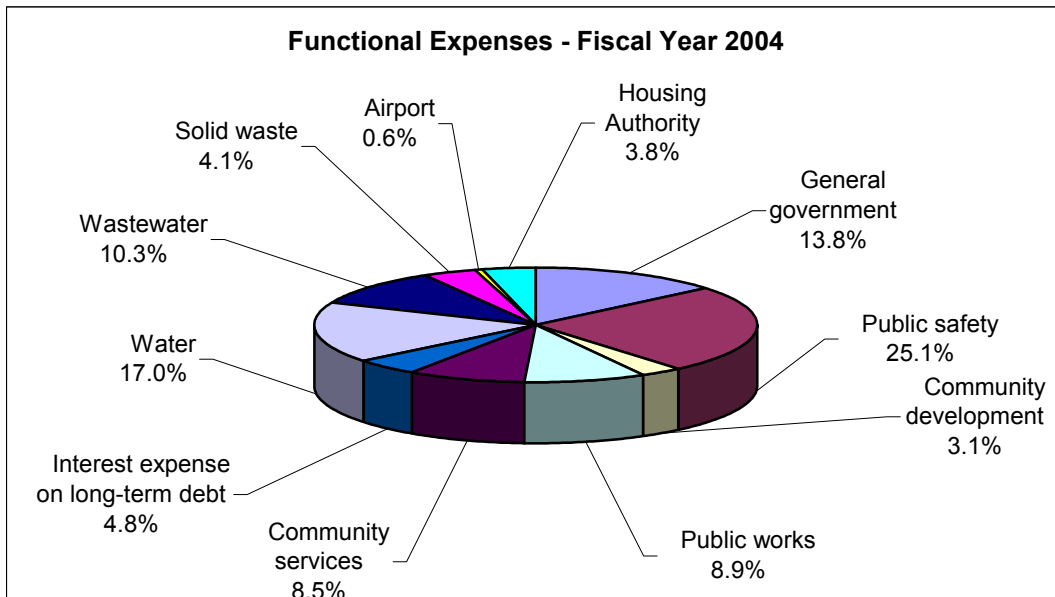
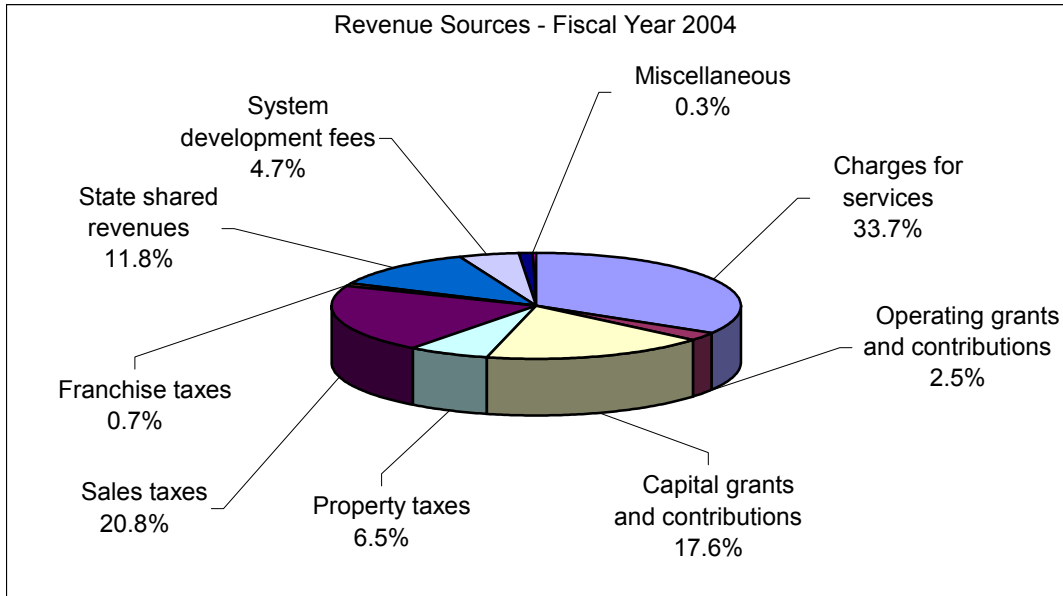
- The addition of \$65.8 million in governmental activities capital assets and \$65.2 million in business-type activities capital assets through the construction of infrastructure, buildings and improvements, system improvements and equipment additions.

Changes in net assets. The City's total revenues for the fiscal year ended June 30, 2004, were \$319.9 million. The total cost of all programs and services was \$238.2 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues						
Charges for services	\$ 39,282,166	\$ 36,057,978	\$ 68,490,087	\$ 64,956,002	\$ 107,772,253	\$ 101,013,980
Operating grants and contributions	1,488,369	3,323,489	6,655,089	6,165,984	8,143,458	9,489,473
Capital grants and contributions	22,107,766	29,223,045	34,348,267	29,607,826	56,456,033	58,830,871
General revenues						
Property taxes	20,818,622	17,953,164	-	-	20,818,622	17,953,164
Sales tax	66,671,049	60,614,779	-	-	66,671,049	60,614,779
Franchise taxes	2,365,749	2,249,190	-	-	2,365,749	2,249,190
State shared revenues	37,903,674	39,559,356	-	-	37,903,674	39,559,356
System development fees	15,165,191	8,105,353	-	-	15,165,191	8,105,353
Investment income (loss)	2,391,875	(4,895,290)	1,199,710	(2,624,182)	3,591,585	(7,519,472)
Miscellaneous	695,312	261,069	376,917	897,511	1,072,229	1,158,580
Total revenues	208,889,773	192,452,133	111,070,070	99,003,141	319,959,843	291,455,274
Expenses:						
General government	32,925,516	30,610,529	-	-	32,925,516	30,610,529
Public safety	59,666,119	54,854,074	-	-	59,666,119	54,854,074
Community development	7,457,073	7,067,675	-	-	7,457,073	7,067,675
Public works	21,308,737	16,097,894	-	-	21,308,737	16,097,894
Community services	20,200,390	19,823,356	-	-	20,200,390	19,823,356
Municipal utilities	671	97,425	-	-	671	97,425
Interest and fiscal charges	11,426,919	10,858,078	-	-	11,426,919	10,858,078
Water	-	-	40,544,967	35,992,958	40,544,967	35,992,958
Wastewater	-	-	24,505,362	22,986,319	24,505,362	22,986,319
Solid waste	-	-	9,705,932	14,414,774	9,705,932	14,414,774
Airport	-	-	1,458,068	1,420,574	1,458,068	1,420,574
Housing Authority	-	-	8,977,049	7,082,747	8,977,049	7,082,747
Total expenses	152,985,425	139,409,031	85,191,378	81,897,372	238,176,803	221,306,403
Excess before transfers	55,904,348	53,043,102	25,878,692	17,105,769	81,783,040	70,148,871
Transfers in (out)	621,256	(767,922)	(621,256)	767,922	-	-
Increase in net assets	56,525,604	52,275,180	25,257,436	17,873,691	81,783,040	70,148,871
Beginning net assets	359,495,671	307,220,491	373,289,770	355,416,079	732,785,441	662,636,570
Ending net assets	\$ 416,021,275	\$ 359,495,671	\$ 398,547,206	\$ 373,289,770	\$ 814,568,481	\$ 732,785,441

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

GOVERNMENT-WIDE FINANCIAL ANALYSIS, concluded



As evident in the previous graph the largest financing source for the City is charges for services at 33.7% due primarily to the user fees and charges for services in the business-type activities. Sales taxes also comprise a significant portion of the City's revenues at 20.8% of the total revenues with state shared revenues and capital grants and contributions accounting for an additional 11.8% and 17.6% respectively of the City's total revenues.

The City as a whole uses the largest amount of resources for public safety at 25.1% of the total functional expenses of the City. The next largest users of resources are water services and general government functions at 17.0% and 13.8%, respectively, with wastewater services also accounting for 10.3% of the City's total expenses.

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$259.1 million. Total fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion.

Fund balance includes reserved fund of 42% for encumbrances, debt service, and capital improvements. The remaining 58% of fund balance is unreserved.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$144.5 million, while total fund balance reached \$176.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 112.3 percent of total general fund expenditures, while total fund balance represents 137.4 percent of that same amount.

The fund balance of the City's general fund increased by \$7.1 million during the current fiscal year. Key factors in this increase are as follows:

- Sales tax collections exceeded expectations by \$4.5 million primarily due increased construction contracting.
- Building permit revenues also exceeded expectations by \$2.0 million due to the continued construction growth.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets for the Enterprise Funds and the Internal Service Funds at the end of the fiscal year amounted to \$398.5 million and \$30 million, respectively. Net assets after invested in capital assets, net of related debt are 43.7% restricted and 56.3% unrestricted.

The net assets of the water fund and wastewater fund increased by \$18.4 million and \$6.9 million, due largely to capital contributions of \$22.5 million and \$11.1 million respectively. The net assets of the solid waste fund increased by \$575 thousand.

BUDGETARY HIGHLIGHTS

The City revised the general fund annual operating budget during the year for the purpose of funding capital projects in other funds. A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2004, the City had invested \$353.7 million in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$32.2 million.

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

The following table presents capital asset balances net of accumulated depreciation for the fiscal years, ended June 30, 2004 and 2003.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2004	2003	2004	2003	2004	2003
Land	\$ 62,426,846	\$ 42,722,438	\$ 38,867,436	\$ 35,900,367	\$ 101,294,282	\$ 78,622,805
Land improvements	-	-	342,863	365,760	342,863	365,760
Infrastructure	111,425,779	79,916,346	-	-	111,425,779	79,916,346
System improvements	-	-	345,820,344	305,432,823	345,820,344	305,432,823
Buildings and improvements	96,982,316	75,740,131	9,437,489	7,882,481	106,419,805	83,622,612
Machinery and equipment	19,802,631	17,175,121	3,558,711	3,347,236	23,361,342	20,522,357
Construction in progress	7,892,881	26,800,162	4,241,381	38,589,585	12,134,262	65,389,747
Total	\$ 298,530,453	\$ 242,354,198	\$ 402,268,224	\$ 391,518,252	\$ 700,798,677	\$ 633,872,450

Additional information on the City's capital assets can be found in Note 4 of the financial statements.

Debt Administration. At year-end, the City had \$331.7 in long-term debt outstanding with \$18.1 million due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2004 and 2003.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 102,480,000	\$ 106,970,000	\$ 23,705,000	\$ 25,395,000	\$ 126,185,000	\$ 132,365,000
Revenue bonds	46,700,000	48,725,000	116,140,000	122,735,000	162,840,000	171,460,000
Special assessment bonds	1,443,000	1,547,500	-	-	1,443,000	1,547,500
Accrued interest - capital appreciation bonds	30,928,390	29,147,730	-	-	30,928,390	29,147,730
Certificates of participation	-	-	10,210,000	11,035,000	10,210,000	11,035,000
Intergovernmental loans	-	-	75,783	93,706	75,783	93,706
Total	\$ 181,551,390	\$ 186,390,230	\$ 150,130,783	\$ 159,258,706	\$ 331,682,173	\$ 345,648,936

State statutes currently limit the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, light, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the City is \$361.1 million. The City has \$72.1 million of outstanding general obligation debt for these purposes. State statutes also currently limit the amount of general obligation debt a City may issue to 6 percent of its total assessed valuation for all other purposes. The current debt limitation for the City is \$108.3 million. The City has \$37.6 million of outstanding general obligation debt for this purpose.

The City's current bond ratings on general obligation bonds are Aa2 from Moody's Investor Services, AA+ from Standard & Poor's, and AAA from Fitch Ratings. Ratings for the street and highway users is Aa3 from Moody's, A+ from Standard & Poor's, and AA- from Fitch. Water and wastewater revenue bonds are Aa3 from Moody's Investor Services, AA from Standard & Poor's, and AA from Fitch.

Additional information on the City's long-term debt can be found in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the City's officials during the process of developing the fiscal year 2004-2005 budget. The primary factors were the decline of the national and state economies, no increase in the current property tax rate or water and wastewater rates, and declining growth rate affecting revenues.

These indicators were considered when adopting the budget for fiscal year 2004-2005. Amounts available for appropriation in the General Fund budget are \$220,706,229, an increase of 7.2%. Increased payroll and employee benefit costs are the primary reason for the increase. No new programs were added to the 2003-2004 budget.

CITY OF CHANDLER, ARIZONA
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2004

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Management Services Department, City of Chandler, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

BASIC FINANCIAL STATEMENTS

CITY OF CHANDLER, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Equity in pooled cash and investments	\$ 316,320,044	\$ 162,230,061	\$ 478,550,105
Cash and investments	-	-	-
Accounts receivable (net)	1,255,261	6,918,173	8,173,434
Accrued interest receivable	77,566	39,624	117,190
Property taxes receivable	867,890	-	867,890
Other taxes receivable	6,686,171	-	6,686,171
Amounts due from other governments	4,788,514	265,183	5,053,697
Inventories	617,058	281,506	898,564
Special assessments receivable	1,077,701	-	1,077,701
Short term notes receivable	-	45,513	45,513
Other assets	105,982	5,450	111,432
Total current assets	<u>331,796,187</u>	<u>169,785,510</u>	<u>501,581,697</u>
Noncurrent assets:			
Other assets	1,320,767	2,558,043	3,878,810
Cash and investments - restricted	-	1,181,577	1,181,577
Long-term notes receivable	-	968,647	968,647
Capital assets, net where applicable	298,530,453	402,268,224	700,798,677
Total noncurrent assets	<u>299,851,220</u>	<u>406,976,491</u>	<u>706,827,711</u>
Total assets	<u>631,647,407</u>	<u>576,762,001</u>	<u>1,208,409,408</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	9,672,879	3,495,258	13,168,137
Accrued payroll and compensated absences	9,490,184	1,132,393	10,622,577
Trust liabilities and deposits	6,964,848	1,279,358	8,244,206
Accrued interest payable	6,356,771	3,213,412	9,570,183
Arbitrage liability	287,006	128,469	415,475
Bonds payable	8,694,500	9,453,841	18,148,341
Deferred revenue	1,303,054	2,655,612	3,958,666
Total current liabilities	<u>42,769,242</u>	<u>21,358,343</u>	<u>64,127,585</u>
Noncurrent liabilities:			
Arbitrage liability	-	36,399	36,399
Bonds payable	172,856,890	140,676,942	313,533,832
Landfill closure and postclosure costs	-	13,232,167	13,232,167
Claims payable	-	2,910,944	2,910,944
Total non-current liabilities	<u>172,856,890</u>	<u>156,856,452</u>	<u>329,713,342</u>
Total liabilities	<u>215,626,132</u>	<u>178,214,795</u>	<u>393,840,927</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	101,665,063	252,117,283	353,782,346
Restricted for debt service	14,177,737	1,484,640	15,662,377
Restricted for claims	-	1,542,183	1,542,183
Restricted for capital improvements	75,869,259	60,958,567	136,827,826
Restricted for donor purposes	-	-	-
Unrestricted	224,309,216	82,444,533	306,753,749
Total net assets	<u>\$ 416,021,275</u>	<u>\$ 398,547,206</u>	<u>\$ 814,568,481</u>

The notes to the financial statements are an integral part of this statement.

Component Units	
Chandler Industrial Development Authority	Chandler Cultural Foundation
\$ -	\$ -
254,300	934,945
750	313
-	9,788
-	-
-	-
-	-
-	-
-	-
-	21,982
<u>255,050</u>	<u>967,028</u>
-	-
-	567,825
-	-
-	26,123
<u>-</u>	<u>593,948</u>
<u>255,050</u>	<u>1,560,976</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	151,799
<u>-</u>	<u>151,799</u>
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>151,799</u>
-	26,123
-	-
-	-
-	567,825
255,050	815,229
<u>\$ 255,050</u>	<u>\$ 1,409,177</u>

**CITY OF CHANDLER, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 32,925,516	\$ 14,339,606	\$ 175,189	\$ 939,033
Public safety	59,666,119	2,515,026	515,678	142,385
Community development	7,457,073	7,833,679	-	-
Public works	21,308,737	12,879,966	7,775	20,940,509
Community services	20,200,390	1,713,889	789,727	85,839
Municipal utilities	671	-	-	-
Interest and fiscal charges	11,426,919	-	-	-
Total governmental activities	<u>152,985,425</u>	<u>39,282,166</u>	<u>1,488,369</u>	<u>22,107,766</u>
Business-type activities:				
Water	40,544,967	36,148,220	-	22,527,595
Wastewater	24,505,362	19,849,892	-	11,119,954
Solid waste	9,705,932	9,850,919	-	406,874
Airport	1,458,068	896,968	-	60,786
Community services - Housing Authority	8,977,049	1,744,088	6,655,089	233,058
Total business-type activities	<u>85,191,378</u>	<u>68,490,087</u>	<u>6,655,089</u>	<u>34,348,267</u>
Total primary government	<u><u>\$ 238,176,803</u></u>	<u><u>\$ 107,772,253</u></u>	<u><u>\$ 8,143,458</u></u>	<u><u>\$ 56,456,033</u></u>
Component Units				
Chandler Industrial Development Authority	\$ 8,406	\$ 6,750	\$ -	\$ -
Chandler Cultural Foundation	684,641	564,528	91,440	-
Total component units	<u><u>\$ 693,047</u></u>	<u><u>\$ 571,278</u></u>	<u><u>\$ 91,440</u></u>	<u><u>\$ -</u></u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

State shared revenues

System development fees

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Chandler Industrial Development Authority	Chandler Cultural Foundation
\$ (17,471,688)	-	\$ (17,471,688)	\$ -	\$ -
(56,493,030)	-	(56,493,030)	-	-
376,606	-	376,606	-	-
12,519,513	-	12,519,513	-	-
(17,610,935)	-	(17,610,935)	-	-
(671)	-	(671)	-	-
(11,426,919)	-	(11,426,919)	-	-
(90,107,124)		(90,107,124)	-	-
-	18,130,848	18,130,848	-	-
-	6,464,484	6,464,484	-	-
-	551,861	551,861	-	-
-	(500,314)	(500,314)	-	-
-	(344,814)	(344,814)	-	-
	24,302,065	24,302,065	-	-
(90,107,124)	24,302,065	(65,805,059)	-	-
-	-	-	(1,656)	-
-	-	-	-	(28,673)
-	-	-	(1,656)	(28,673)
20,818,622	-	20,818,622	-	-
66,671,049	-	66,671,049	-	-
2,365,749	-	2,365,749	-	-
37,903,674	-	37,903,674	-	-
15,165,191	-	15,165,191	-	-
2,391,875	1,199,710	3,591,585	783	28,180
695,312	376,917	1,072,229	-	-
621,256	(621,256)	-	-	-
146,632,728	955,371	147,588,099	783	28,180
56,525,604	25,257,436	81,783,040	(873)	(493)
359,495,671	373,289,770	732,785,441	255,923	1,409,670
\$ 416,021,275	\$ 398,547,206	\$ 814,568,481	\$ 255,050	\$ 1,409,177

CITY OF CHANDLER, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in pooled cash and investments	\$ 184,971,717	\$ 96,607,403	\$ 281,579,120
Accounts receivable (net)	1,208,106	40,093	1,248,199
Accrued interest receivable	47,241	21,844	69,085
Property taxes receivable	867,890	-	867,890
Other taxes receivable	6,686,171	-	6,686,171
Due from other funds	-	2,404,000	2,404,000
Amounts due from other governments	2,029,879	2,758,635	4,788,514
Inventories	617,058	-	617,058
Special assessments receivable	-	1,077,701	1,077,701
Other assets	100,642	5,340	105,982
Total assets	<u>\$ 196,528,704</u>	<u>\$ 102,915,016</u>	<u>\$ 299,443,720</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 3,378,479	\$ 1,623,487	\$ 5,001,966
Accrued payroll and compensated absences	9,120,060	310,375	9,430,435
Trust liabilities and deposits	6,964,848	-	6,964,848
Accrued interest payable	-	6,356,771	6,356,771
Due to other funds	-	2,404,000	2,404,000
Arbitrage liability	-	287,006	287,006
Bonds payable	-	8,585,000	8,585,000
Deferred revenue	328,706	996,003	1,324,709
Total liabilities	<u>19,792,093</u>	<u>20,562,642</u>	<u>40,354,735</u>
Fund balances:			
Reserved for capital improvements	-	75,869,259	75,869,259
Reserved for contractual obligations	31,500,000	-	31,500,000
Reserved for debt service	13,343,411	834,326	14,177,737
Reserved for encumbrances	5,801,328	-	5,801,328
Unreserved:			
Undesignated	5,331,450		5,331,450
Designated	120,760,422	-	120,760,422
Unreserved reported in:			
Special revenue funds	-	5,648,789	5,648,789
Total fund balances	<u>176,736,611</u>	<u>82,352,374</u>	<u>259,088,985</u>
Total liabilities and fund balances	<u>\$ 196,528,704</u>	<u>\$ 102,915,016</u>	<u>\$ 299,443,720</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHANDLER, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Total Governmental Fund balances	\$ 259,088,985
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Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 335,669,426	
Less accumulated depreciation	<u>(37,138,973)</u>	298,530,453

The Internal service fund is used by management to charge the cost of self insurance programs to user funds. Certain assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	30,025,805
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Certain revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Property taxes	\$ 328,706	
Special assessments	<u>996,003</u>	1,324,709

Long-term liabilities, including bonds payable, special assessment debt and accrued interest on capital bonds, are not due and payable in the current period and therefore are not reported in the funds

Bonds payable	\$ (140,595,000)	
Bond premium	(1,303,054)	
Bond issuance costs	1,320,767	
Special assessment debt	(1,443,000)	
Accrued interest, capital appreciation bonds	<u>(30,928,390)</u>	<u>(172,948,677)</u>

Net Assets of Governmental Activities	<u>\$ 416,021,275</u>
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The notes to the financial statements are integral part of this statement.

CITY OF CHANDLER, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-local	\$ 91,492,704	\$ -	\$ 91,492,704
Taxes-intergovernmental	37,948,767	12,225,100	50,173,867
Grants and entitlements	-	4,217,697	4,217,697
System development fees	-	15,165,191	15,165,191
Special assessments	-	251,608	251,608
Licenses and permits	7,500,437	-	7,500,437
Charges for current services	13,283,123	103,729	13,386,852
Fines and forfeitures	3,517,080	-	3,517,080
Rentals	18,012	-	18,012
Contributions	-	5,980	5,980
Interest income	1,655,916	514,498	2,170,414
Miscellaneous	880,004	1,324,551	2,204,555
Total revenues	<u>156,296,043</u>	<u>33,808,354</u>	<u>190,104,397</u>
Expenditures:			
Current -			
General government	30,732,408	291,746	31,024,154
Public safety	57,801,776	605,470	58,407,246
Community development	7,441,114	8,000	7,449,114
Public works	12,477,201	10,550,665	23,027,866
Community services	20,176,547	872,112	21,048,659
Municipal utilities	-	671	671
Capital improvements	-	36,794,139	36,794,139
Debt service -			
Principal retirement	-	8,689,500	8,689,500
Interest and fiscal charges	-	9,641,321	9,641,321
Total expenditures	<u>128,629,046</u>	<u>67,453,624</u>	<u>196,082,670</u>
Excess (deficiency) of revenues over expenditures	<u>27,666,997</u>	<u>(33,645,270)</u>	<u>(5,978,273)</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	570,431	109,588	680,019
Transfers in	1,000,000	25,072,155	26,072,155
Transfers out	(22,136,958)	(6,181,894)	(28,318,852)
Total other financing sources (uses)	<u>(20,566,527)</u>	<u>18,999,849</u>	<u>(1,566,678)</u>
Changes in fund balances	<u>7,100,470</u>	<u>(14,645,421)</u>	<u>(7,544,951)</u>
Fund balances, beginning of year	169,636,141	96,997,795	266,633,936
Fund balances, end of year	<u>\$ 176,736,611</u>	<u>\$ 82,352,374</u>	<u>\$ 259,088,985</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHANDLER, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Net Changes in Fund Balances -Total Governmental Funds **\$ (7,544,951)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital improvements	\$	36,794,139	
Expenditures for capital assets from general fund		11,544,973	
Less current year depreciation		<u>(9,215,716)</u>	39,123,396

Some items reported in the governmental funds are sources and uses of current financial resources and therefore are not reported as revenues or expenses in statement of activities. These items include.

Principal payments on debt	\$	8,689,500	
Bond premium		105,939	
Loss on disposal of fixed assets		<u>(1,286,238)</u>	7,509,201

Bond issuance costs are recognized as debt service expenditures in the governmental funds, however these costs are capitalized on the statement of assets and amortized in the statement of activities. (110,877)

Accrued interest payable related to long-term debt is recognized as an expense in the statement of activities, however is not recognized in the governmental funds because it is not payable from current financial resources. (1,780,660)

Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are deferred in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Property taxes, levied for general purposes	\$	(29,191)	
Special assessments		<u>(174,402)</u>	(203,593)

Capital assets contributed by developers to the City are not recorded in the governmental funds as they do not provide current financial resources but are recognized in the statement of activities as program revenues. 18,339,097

Internal service funds are used by management to charge the costs of certain activities, such as the City's self-insurance program to individual funds. The following activities of the internal service fund is reported with governmental activities.

Operating loss	\$	(1,895,423)	
Investment income		221,461	
Elimination of interfund transactions		<u>2,867,953</u>	1,193,991

Change in Net Assets in Governmental Activities. **\$ 56,525,604**

The notes to the financial statements are integral part of this statement.

CITY OF CHANDLER, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

Business Type Activities - Enterprise Funds

ASSETS

Current assets:

	Water	Wastewater	Solid Waste
Equity in pooled cash and investments	\$ 108,692,311	\$ 32,534,515	\$ 17,351,653
Accounts receivable	4,360,321	1,720,517	821,412
Accrued interest receivable	26,556	8,043	4,161
Amounts due from other governments	-	-	-
Inventories	251,057	-	-
Short term notes receivable	-	-	-
Other assets	-	-	5,450
Total current assets	<u>113,330,245</u>	<u>34,263,075</u>	<u>18,182,676</u>

Noncurrent assets:

Other assets	1,381,348	1,176,695	-
Cash and investments - restricted	289,689	891,888	-
Long-term notes receivable	-	-	-
Capital assets, net where applicable	195,831,030	162,108,652	9,494,651
Total noncurrent assets	<u>197,502,067</u>	<u>164,177,235</u>	<u>9,494,651</u>
Total assets	<u>310,832,312</u>	<u>198,440,310</u>	<u>27,677,327</u>

LIABILITIES

Current liabilities:

Accounts payable	1,147,392	1,706,150	498,302
Accrued payroll and compensated absences	582,837	252,828	95,640
Trust liabilities and deposits	754,569	248,072	14,959
Accrued interest payable	2,053,476	1,039,112	97,519
Arbitrage liability	104,308	1,881	21,404
Bonds payable	5,624,732	3,685,268	125,000
Deferred revenue	1,704,441	900,693	35,264
Total current liabilities	<u>11,971,755</u>	<u>7,834,004</u>	<u>888,088</u>

Noncurrent liabilities:

Bonds payable	86,836,101	49,773,899	3,340,000
Arbitrage liability	35,767	475	157
Landfill closure and postclosure costs	-	-	13,232,167
Claims payable	2,910,944	-	-
Total non-current liabilities	<u>89,782,812</u>	<u>49,774,374</u>	<u>16,572,324</u>
Total liabilities	<u>101,754,567</u>	<u>57,608,378</u>	<u>17,460,412</u>

NET ASSETS

Invested in capital assets, net of related debt	103,350,196	108,649,485	6,029,494
Restricted for capital improvements	36,181,427	10,454,782	14,266,260
Restricted for debt service	289,689	891,888	303,063
Restricted for claims	1,542,183	-	-
Unrestricted (deficit)	67,714,250	20,835,777	(10,381,902)
Total net assets	<u>\$ 209,077,745</u>	<u>\$ 140,831,932</u>	<u>\$ 10,216,915</u>

The notes to the financial statements are an integral part of this statement.

Non-Major Enterprise Funds	Total	Governmental Activities: Internal Service Fund
\$ 3,651,582	\$ 162,230,061	\$ 34,740,924
15,923	6,918,173	7,062
864	39,624	8,481
265,183	265,183	-
30,449	281,506	-
45,513	45,513	-
-	5,450	-
<u>4,009,514</u>	<u>169,785,510</u>	<u>34,756,467</u>
-	2,558,043	-
-	1,181,577	-
968,647	968,647	-
<u>34,833,891</u>	<u>402,268,224</u>	<u>-</u>
<u>35,802,538</u>	<u>406,976,491</u>	<u>-</u>
<u>39,812,052</u>	<u>576,762,001</u>	<u>34,756,467</u>
143,414	3,495,258	4,670,913
201,088	1,132,393	59,749
261,758	1,279,358	-
23,305	3,213,412	-
876	128,469	-
18,841	9,453,841	-
15,214	2,655,612	-
<u>664,496</u>	<u>21,358,343</u>	<u>4,730,662</u>
726,942	140,676,942	-
-	36,399	-
-	13,232,167	-
-	2,910,944	-
<u>726,942</u>	<u>156,856,452</u>	<u>-</u>
<u>1,391,438</u>	<u>178,214,795</u>	<u>4,730,662</u>
34,088,108	252,117,283	-
56,098	60,958,567	-
-	1,484,640	-
-	1,542,183	-
<u>4,276,408</u>	<u>82,444,533</u>	<u>30,025,805</u>
<u>\$ 38,420,614</u>	<u>\$ 398,547,206</u>	<u>\$ 30,025,805</u>

CITY OF CHANDLER, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Funds		
	Water	Wastewater	Solid Waste
Operating revenues:			
Service fees	\$ 36,148,220	\$ 19,849,892	\$ 9,825,572
Grants and entitlements	-	-	-
Charges for current services	-	-	-
Rentals	-	-	-
Worker's compensation premiums	-	-	-
Miscellaneous	8,041	112,638	996
House sales	-	-	-
Total operating revenues	36,156,261	19,962,530	9,826,568
Operating expenses:			
General and administrative	3,559,891	2,521,610	830,203
Personal services	5,837,574	2,544,282	1,227,464
Contractual services	7,309,004	4,025,885	5,534,405
Commodities	7,830,226	2,753,567	475,648
Claims	-	-	-
Housing assistance payments	-	-	-
Depreciation and amortization	11,580,665	9,825,219	475,935
Landfill closure and postclosure	-	-	968,162
House sales expense	-	-	-
Total operating expenses	36,117,360	21,670,563	9,511,817
Operating income (loss)	38,901	(1,708,033)	314,751
Nonoperating revenues (expenses):			
Interest income	717,617	334,180	119,677
Landfill energy sales	-	-	25,347
Gain/Loss on disposal of capital assets	(41,000)	(34,398)	-
Interest expense	(4,336,428)	(2,673,222)	(195,358)
Accretion of bond premium	158,362	77,493	1,313
Amortization of bond issuance costs	(208,541)	(204,672)	(70)
Total nonoperating revenues (expenses)	(3,709,990)	(2,500,619)	(49,091)
Income (loss) before capital contributions and transfers	(3,671,089)	(4,208,652)	265,660
Capital contributions	22,527,595	11,119,954	406,874
Transfers in	159,990	-	-
Transfers out	(609,706)	(60,266)	(97,184)
Changes in net assets	18,406,790	6,851,036	575,350
Total net assets, beginning of year	190,670,955	133,980,896	9,641,565
Total net assets, end of year	\$ 209,077,745	\$ 140,831,932	\$ 10,216,915

The notes to the financial statements are an integral part of this statement.

Non-Major Enterprise Funds	Total	Governmental Activities: Internal Service Fund
\$ 896,968	\$ 66,720,652	\$ -
6,655,089	6,655,089	-
-	-	26,030
599,088	599,088	-
-	-	4,306,147
255,242	376,917	190,091
1,145,000	1,145,000	-
9,551,387	75,496,746	4,522,268
-	6,911,704	-
1,845,270	11,454,590	798,507
1,826,858	18,696,152	601,718
975,978	12,035,419	701,388
-	-	4,316,078
3,736,505	3,736,505	-
1,057,062	22,938,881	-
-	968,162	-
1,049,856	1,049,856	-
10,491,529	77,791,269	6,417,691
(940,142)	(2,294,523)	(1,895,423)
28,236	1,199,710	221,461
-	25,347	-
107,401	32,003	-
(50,989)	(7,255,997)	-
-	237,168	-
-	(413,283)	-
84,648	(6,175,052)	221,461
(855,494)	(8,469,575)	(1,673,962)
293,844	34,348,267	-
-	159,990	2,900,000
(14,090)	(781,246)	(32,047)
(575,740)	25,257,436	1,193,991
38,996,354	373,289,770	28,831,814
\$ 38,420,614	\$ 398,547,206	\$ 30,025,805

**CITY OF CHANDLER, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUNDS		
	WATER	WASTEWATER	SOLID WASTE
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received From Customers	\$ 36,554,635	\$ 20,379,991	\$ 9,930,345
Cash Received From Grantors	-	-	-
Cash Received From Interfund Services Provided	-	-	-
Cash Payments to Suppliers	(18,658,471)	(10,154,938)	(6,990,471)
Cash Payments to Employees	(5,794,097)	(2,511,122)	(1,248,106)
Net Cash Provided By (Used For) Operating Activities	<u>12,102,067</u>	<u>7,713,931</u>	<u>1,691,768</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers In From Other Funds	159,990	-	-
Transfers Out To Other Funds	(609,706)	(60,266)	(97,184)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(449,716)</u>	<u>(60,266)</u>	<u>(97,184)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition/Construction of Capital Assets	(18,076,608)	(13,745,466)	(1,537,529)
Proceeds from the Sale of Capital Assets	-	-	-
Principal Paid on Bond Maturities	(5,812,395)	(3,172,606)	(124,843)
Interest Paid on Bonds	(4,118,773)	(2,865,333)	(203,595)
Principal Received on Mortgage Notes	-	-	-
Proceeds from Capital Grants	-	-	-
Capital Contributed by Developers and Grantors	22,527,595	11,119,954	406,874
Net Cash Provided By (Used For) Capital And Related Financing Activities	<u>(5,480,181)</u>	<u>(8,663,451)</u>	<u>(1,459,093)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	909,761	410,134	154,926
Net Cash Provided By (Used For) Investing Activities	<u>909,761</u>	<u>410,134</u>	<u>154,926</u>
Net Increase (Decrease) In Cash And Cash Equivalents	7,081,931	(599,652)	290,417
Cash And Cash Equivalents At Beginning Of Year	101,900,069	34,026,055	17,061,236
Cash And Cash Equivalents At End Of Year	<u>\$ 108,982,000</u>	<u>\$ 33,426,403</u>	<u>\$ 17,351,653</u>
Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:			
Operating Income (Loss)	\$ 38,901	\$ (1,708,033)	\$ 314,751
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:			
Depreciation and Amortization	11,580,665	9,825,219	475,935
Landfill Closure and Postclosure Costs	-	-	968,162
Landfill Energy Sales	-	-	25,347
Changes In Assets And Liabilities:			
(Increase) Decrease In Receivables	306,005	397,961	90,420
(Increase) Decrease In Inventories	11,848	-	-
Decrease in Assets Held for Resale	-	-	-
(Increase) Decrease in Other Assets	208,541	-	-
(Decrease) Increase In Payables	(623,542)	(853,876)	(175,562)
Increase in Accrued Payroll and Compensated Absences	43,477	33,160	(20,642)
Increase In Deposits	42,191	19,500	1,599
Increase in Claims Payable	652,344	-	-
Increase (Decrease) In Deferred Revenue	(158,363)	-	11,758
Total Adjustments	<u>12,063,166</u>	<u>9,421,964</u>	<u>1,377,017</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 12,102,067</u>	<u>\$ 7,713,931</u>	<u>\$ 1,691,768</u>
Reconciliation of Cash and Cash Equivalents at End of Year to Statement of Net Assets:			
Equity in Pooled Cash and Investments	\$ 108,692,311	\$ 32,534,515	\$ 17,351,653
Cash and Investments - restricted	289,689	891,888	-
Cash and Cash Equivalents at End of Year	<u>\$ 108,982,000</u>	<u>\$ 33,426,403</u>	<u>\$ 17,351,653</u>

The notes to the financial statements are an integral part of this statement.

		GOVERNMENTAL ACTIVITIES:	
NON-MAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUND	
\$ 2,663,119	\$ 69,528,090	\$ -	
6,694,774	6,694,774	-	
-	-	4,515,229	
(7,178,902)	(42,982,782)	(6,291,441)	
(1,872,355)	(11,425,680)	(806,763)	
<u>306,636</u>	<u>21,814,402</u>	<u>(2,582,975)</u>	
-	159,990	2,900,000	
(14,090)	(781,246)	(32,047)	
<u>(14,090)</u>	<u>(621,256)</u>	<u>2,867,953</u>	
(324,758)	(33,684,361)	-	
173,684	173,684	-	
(17,922)	(9,127,766)	-	
(50,989)	(7,238,690)	-	
25,576	25,576	-	
233,058	233,058	-	
60,786	34,115,209	-	
<u>99,435</u>	<u>(15,503,290)</u>	<u>-</u>	
35,047	1,509,868	291,982	
<u>35,047</u>	<u>1,509,868</u>	<u>291,982</u>	
427,028	7,199,724	576,960	
3,224,554	156,211,914	34,163,964	
<u>\$ 3,651,582</u>	<u>\$ 163,411,638</u>	<u>\$ 34,740,924</u>	
\$ (940,142)	\$ (2,294,523)	\$ (1,895,423)	
1,057,062	22,938,881	-	
-	968,162	-	
-	25,347	-	
(228,657)	565,729	(7,039)	
(9,444)	2,404	-	
550,781	550,781	-	
-	208,541	-	
(149,016)	(1,801,996)	(672,257)	
917	56,912	(8,256)	
20,935	84,225	-	
-	652,344	-	
4,200	(142,405)	-	
<u>1,246,778</u>	<u>24,108,925</u>	<u>(687,552)</u>	
<u>\$ 306,636</u>	<u>\$ 21,814,402</u>	<u>\$ (2,582,975)</u>	
\$ 3,651,582	\$ 162,230,061	\$ 34,740,924	
-	1,181,577	-	
<u>\$ 3,651,582</u>	<u>\$ 163,411,638</u>	<u>\$ 34,740,924</u>	

CITY OF CHANDLER, ARIZONA
STATEMENT OF FIDUCIARY FUNDS NET ASSETS
JUNE 30, 2004

	Volunteer Fireman's Pension and Trust Fund	Agency Funds
<u>ASSETS</u>		
Equity in pooled cash and investments	\$ 66,799	\$ 19,645
Accrued interest receivable	7	-
Other taxes receivable	-	-
Accounts receivable	-	887
Total assets	<u>66,806</u>	<u>20,532</u>
<u>LIABILITIES</u>		
Due to others	-	20,532
Total liabilities	<u>-</u>	<u>20,532</u>
<u>NET ASSETS</u>		
Held in trust for pension benefits	<u>\$ 66,806</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHANDLER, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
JUNE 30, 2004

	<u>Volunteer Fireman's Pension and Relief Trust Fund</u>
<u>ADDITIONS</u>	
Fire insurance premium tax	\$ 1,307
Investment income	<u>501</u>
Total additions	<u>1,808</u>
<u>DEDUCTIONS</u>	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net assets	(2,992)
Total net assets, beginning of year	69,798
Total net assets, end of year	<u><u>\$ 66,806</u></u>

The notes to the financial statements are an integral part of this statement



Chandler + Arizona
Where Values Make The Difference

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

The City of Chandler (the City) was incorporated on February 17, 1920. On May 25, 1964, voters ratified a city charter providing for a Council-Manager form of government. The government of the City is operated by authority of its charter, as limited by the state legislature. The City is governed by an elected mayor and seven-member council.

The following notes to the financial statements are an integral part of the City's financial statements.

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies and procedures of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

As required by GAAP, these financial statements present the City and its component units, i.e., entities for which the City is considered to be financially accountable and/or exercise significant influence over operations. Blended component units, although legally separate entities, are in substance part of the City's operations, and therefore data from these units are combined with data of the City. The City's discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements, to emphasize that they are legally separate from the City. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationships with the City. Each component unit has a June 30 year-end.

1. Blended Component Unit

The City of Chandler Municipal Property Corporation (the Corporation) is a nonprofit corporation which exists solely for the purpose of constructing or otherwise acquiring or equipping buildings, structures or improvements on land owned by the City for the benefit, common good and general welfare of the City and its citizens. The five members of the Board, who are responsible for approving the Corporation's bond sales, are appointed by the Chandler City Council. Additionally, all bond sales must be submitted to and approved by the City Council. All financial activities are reported within the Enterprise Funds of the City. Financial statements for the Corporation are available from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

2. Discretely Presented Component Units

The component unit column in the basic financial statements includes the financial data of the Chandler Industrial Development Authority (the Authority). The Authority is responsible for the issuance of tax-exempt bonds for qualified projects approved by the Authority and the City Council. The Authority has a seven-member board of directors appointed by the City Council. The City is able to impose its will on the Authority inasmuch as the City Council must vote to ratify the actions of the Authority with regard to the issuance of bonds. The accounting records of the Authority are maintained by the City and financial statements for the Authority are available from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

The Chandler Cultural Foundation (the Foundation) oversees the operations of the Chandler Center for the Arts, for the selection and scheduling of performances, other facility use and general policy setting activities. The City is able to significantly influence its operations. Specifically, the Foundation's budget is annually reviewed and approved by the City Council and the Foundation's nine-member Board is appointed by the City Council. Financial statements for the Foundation are available from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State shared revenues, system development fees, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and agency fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, the exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Delinquent property taxes have been recorded as deferred revenue. Grants and similar awards received before the eligibility requirements are met are also recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

The City reports the following major governmental fund:

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

The City reports the following major proprietary funds:

Water Services Fund – This fund is used to account for the provision of water services to the residents of the City and certain residents outside of City limits. All activities necessary to provide such service are accounted for in this fund.

Wastewater Services Fund – This fund is used to account for the provision of wastewater services to the residents of the City and certain residents outside of City limits. All activities necessary to provide such service are accounted for in this fund.

Solid Waste Fund – This fund is used to account for the provision of solid waste (refuse) services to the residential and commercial customers of the City. All activities necessary to provide such service are accounted for in this fund.

Additionally, the City reports the following fund types:

Internal Service Fund - Internal Service Funds are established to account for financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The Internal Service Fund consists of a Self Insurance Fund that administers the City's self-insured property, liability and workers' compensation insurance program.

Fiduciary Fund – Fiduciary Funds account for assets held by the City on behalf of others and includes the Volunteer Firefighter's Relief and Pension Trust Fund. The Volunteer Firefighter's Relief and Pension Trust Fund accounts for the contributions to and earnings of the volunteer firefighter's pension trust.

Agency Funds – Agency funds account for resources held by the City in a custodial capacity on behalf of others.

All applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, as well as the FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins are followed in both the government-wide business type and enterprise fund financial statements, unless these pronouncements conflict with or contradict GASB pronouncements. Under this requirement, the City is given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accordingly, the City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are interfund transfers from the general fund and water fund for property and liability insurance and charges to user departments for premiums related to worker's compensation self-insurance. The principal operating revenues of the City's enterprise funds are user fees and charges to customers for water, wastewater, solid waste, and airport services. Operating expenses for these funds include the cost of sales and services, administrative expenses, depreciation, claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

D. Budgeting and Budgetary Control

The City Council formally adopts an annual operating budget for the General, Special Revenue, Capital Projects, Enterprise and Internal Service Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternately achieved through bond indenture provisions.

The level of control at which expenditures may not exceed budget is by fund, except for bond and grants-in-aid funds, which are exempted by statute. Upon written request by the City Manager, the City Council has the authority to transfer part or all of any unencumbered appropriation balance from one department to another per City Charter requirement. The City Manager and Department heads have the authority to transfer appropriations between divisions and expenditure categories within departments. Appropriations totaling \$3,206,937 were transferred from the contingency reserves within the General, Capital Projects, and Internal Service funds.

All appropriations expire at the end of the fiscal year except for encumbered appropriations. Encumbrance accounting, under which purchase orders, contracts and other commitments for the future expenditure of funds are recorded in order to reserve that portion of the related fund balance, is employed in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances.

The budgets are adopted on a basis differing from GAAP in that for budgetary purposes: (1) current year encumbrances are treated as expenditures; (2) bond proceeds for proprietary funds are considered revenue; (3) capital outlays for enterprise funds are treated as expenditures; (4) debt service principal payments are treated as expenditures for enterprise funds; (5) accrued compensated absences are not recognized as expenditures; (6) depreciation and amortization are not recognized as expenditures; (7) estimated landfill closure and postclosure costs are not recognized as expenditures until incurred; and (8) sales tax collected by merchants but not yet required to be remitted at the end of the fiscal year is not recorded as revenue.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Through a Home Rule option, any city can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. At the primary election held March 12, 2002, the City of Chandler voters approved continuance of the Home Rule option. The Home Rule option, currently in effect, must be submitted to the electorate for renewal in 2006 at which time an additional four-year period can be implemented.

E. Pooled Cash and Investments

City Charter, Ordinance and Trust Agreements authorize the City to invest in obligations of the U.S. Treasury, its agencies, and instrumentalities, certificates of deposit in eligible depositories, repurchase agreements, and the State of Arizona's Local Government Investment Pool (LGIP). The City of Chandler Municipal Property Corporation is additionally authorized to invest in bankers acceptances, U.S. Corporate obligations rated Aa3 and AA-, or better, full faith and credit general obligations or special revenue bonds of any state or political subdivision rated AAA and Aaa, Refcorp interest strips and money market funds.

The State Board of Deposit provides oversight for the State Treasurer's pool, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Cash resources of the City are combined to form a pool of cash and investments. Excluded from this pool are the cash and investments of the Chandler Industrial Development Authority and the Chandler Cultural Foundation. Interest earned on the pooled cash and investments is distributed each month on the basis of average monthly equity in the pool.

F. Restricted Assets

Certain proceeds of the City's enterprise funds revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

H. Inventories

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenses/expenditures when consumed in the government-wide financial statements and governmental and proprietary fund financial statements, respectively.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2001. The City will complete the addition of infrastructure by June 30, 2006. In addition, the City defines these assets in general as those assets included in capital improvement projects completed at year's end in excess of \$100,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

Estimated useful lives for capital assets were determined based on the City's historical experience and the various industry standards. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building Improvements	20
Infrastructure	12-50
System improvements	25
Vehicles	4-7
Machinery and equipment	5-15

J. Compensated Absences

Vacation leave vests with the employee as it is earned. All employees may carry forward only the amount of vacation benefits equal to the maximum allowable earned credits for the preceding calendar year. Accordingly, at fiscal year end, the liability for accumulated vacation is reported on the government-wide and proprietary fund financial statements as a current liability. Funds include an accrual of vacation pay and related benefits, which would normally be liquidated with expendable available financial resources. Upon termination or retirement, an employee will be compensated for accumulated vacation leave up to a maximum of 240 hours dependent on accumulated time and the individual's vacation benefits associated with their rank within the City. Payment will be based on the individual's rate of pay at termination or retirement. Upon death, the same benefits shall be paid to the employee's beneficiary.

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Upon retirement, an employee will be compensated for 50 percent of accumulated sick leave up to 480 hours. Payment will be based on the monthly compensation paid to the employee at the time of retirement. Upon death, the same benefits shall be paid to the employee's beneficiary.

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund statement of net assets. Bond related charges and credits, such as premiums, discounts and issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Debt Service Funds are specifically established to account for and service the long-term obligations for the governmental funds and special assessment debt. Each Enterprise Fund individually accounts for and services the applicable bonds and lease purchase obligations which benefit these funds. Long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies, concluded

Deep-discount debt instruments ("capital appreciation bonds") are issued at stated interest rates that are significantly below their effective interest rate, resulting in a substantial (i.e., deep) discount. Implicit interest on these bonds is not paid until the bond matures; therefore, the net value of the bonds is accreted (i.e., the discount is reduced) over the life of the bonds. Accreted interest is calculated each year using the interest method and is treated as an addition to the principal amount of the bonds recorded as long-term obligations. In addition, deep-discount capital appreciation bonds may be sold at a substantial premium. In the government-wide financial statements, premiums on capital appreciation bonds are recorded at face value.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Restrictions of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

M. Capital Contributions - Enterprise Funds

Capital contributions as shown in the Enterprise Funds represent Federal and State grants received, subdividers' costs of installing water mains, water service connections installed at the customers' expense, and transfers of equipment from governmental funds. Capital contributions are shown as an inflow of resources in both the government-wide and fund financial statements.

N. Post-Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the City allows for continuance of certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they are eligible to receive a retirement pension when leaving employment with the City. The cost of retiree health care and life insurance premiums is borne both by the retiree and the specific retirement plan under which they participated. There is no direct cost paid by the City.

O. Statements of Cash Flows

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. In the statements of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

P. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Q. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 2 - Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, except for the Chandler Industrial Development Authority and the Chandler Cultural Foundation. Each fund's portion of this pool is displayed on the financial statements as Equity in Pooled Cash and Investments. Pooled cash and investments are stated at fair value with accrued interest shown separately. Restricted cash and investments are amounts held separately by trustees and amounts segregated due to their source and future intent. In addition, investments are separately held by the Industrial Development Authority and the Chandler Cultural Foundation.

Deposits

At year-end, the carrying amount of the City deposits was \$31,890,987, and the bank balance was \$37,180,424. Of the bank balance, \$100,000 was covered by federal depository insurance and \$37,080,424, was covered by collateral held in the pledging bank's trust department in the City's name. The \$5,289,437 difference represents outstanding checks and other reconciling items at June 30, 2004.

At year-end, the carrying amount of deposits for the Chandler Industrial Development Authority was \$55,892 and the bank balance was \$55,892. The bank balance of \$55,892 was covered by federal depository insurance.

At year-end, the carrying amount of deposits for Chandler Cultural Foundation was \$176,468 and the bank balance was \$210,523. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$110,523 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Chandler Cultural Foundation's name.

Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the City at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. The LGIP is an external investment pool managed by the State Treasurer's Office with no regulatory oversight. The City's investment in the State of Arizona's LGIP is held in shares, each share is stated at \$1 fair value, and is not subject to categorization.

	Category 1	Fair Value
U.S. Government Securities	\$ 427,228,286	\$ 427,228,286
Investments Not Subject to Categorization		
Investment in State of Arizona		20,658,854
Local Government Investment Pool		\$ 447,887,140

Reconciliation of cash and investments as reported on the Statement of Net Assets:

	Primary Government	Component Units	Fiduciary Funds
Carrying Amount of Deposits	\$ 31,844,542	\$ 232,360	\$ 46,444
Fair Value of Investments	447,887,140	1,524,710	40,000
Total Cash and Investments	\$ 479,731,682	\$ 1,757,070	\$ 86,444
	Primary Government	Component Units	Fiduciary Funds
Equity in Pooled Cash and Investments	\$ 478,550,105	\$ -	\$ 86,444
Cash and Investments		1,189,245	-
Restricted Cash and Investments	1,181,577	567,825	
Total Cash and Investments	\$ 479,731,682	\$ 1,757,070	\$ 86,444

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 3 - Property Taxes

The City's property tax is levied and collected by the Maricopa County Treasurer. Property taxes are levied on or before the third Monday in August based upon the previous January 1 full cash value of property as determined by the Maricopa County Assessor. Under Arizona Revised Statutes (A.R.S.), two assessed valuations are used. One is for primary taxes (used to fund operating expenditures) and the other is for secondary taxes (used to meet general obligation debt service requirements). Taxes are due in two equal installments on October 1 and March 1 following the levy date and are delinquent on the first day of November and May, respectively. Delinquent amounts bear interest at the rate of 16 percent.

The City also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

Pursuant to A.R.S. a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10 percent a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

The primary tax levy is limited to an increase of 2 percent over the previous year's maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1 percent of the market value of their homes. If the combined primary property tax (for the City, County, School District, etc.) exceeds 1 percent of the market value of the homes, the school districts will reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1 percent. The State will then subsidize the school districts for the reduced revenue. This 1 percent limitation applies to primary property taxes only and does not affect the secondary property tax levy.

In fiscal year 2003-04, current property tax collections were \$20,535,246 or 99.95% percent of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax expected to be collected within 60 days is recognized as revenue and recorded as a receivable. Property taxes levied in August 2004 are not available for fiscal year 2003-04; accordingly, such taxes will not be recognized as revenue until fiscal year 2004-2005.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 4 – Capital Assets

The City has not completed its evaluation of the City's entire infrastructure as of June 30, 2004, and therefore, only the additions for infrastructure since July 1, 2001, have been capitalized. The City will complete the infrastructure evaluation prior to June 30, 2006.

A summary of changes in capital assets for governmental activities is as follows:

Governmental Activities	Balance July 1, 2003	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 42,722,438	\$ 19,704,408	\$ -	\$ 62,426,846
Construction in progress	26,800,162	45,051,769	(63,959,050)	7,892,881
Total capital assets not being depreciated	69,522,600	64,756,177	(63,959,050)	70,319,727
Capital assets, being depreciated:				
Infrastructure	82,267,527	34,794,543	-	117,062,070
Buildings and improvements	92,034,810	25,774,965	(1,707,151)	116,102,624
Machinery and equipment	27,394,993	5,311,575	(521,563)	32,185,005
Total capital assets being depreciated	201,697,330	65,881,083	(2,228,714)	265,349,699
Less accumulated depreciation for:				
Infrastructure	(2,351,181)	(3,285,110)	-	(5,636,291)
Buildings and improvements	(16,294,679)	(3,565,394)	739,765	(19,120,308)
Machinery and equipment	(10,219,872)	(2,365,212)	202,710	(12,382,374)
Total accumulated depreciation	(28,865,732)	(9,215,716)	942,475	(37,138,973)
Total capital assets, being depreciated, net	172,831,598	56,665,367	(1,286,239)	228,210,726
Governmental activities capital assets, net	\$ 242,354,198	\$ 121,421,544	\$ (65,245,289)	\$ 298,530,453

Construction in progress in the governmental activities capital assets is comprised of the following:

	Expended During FYE June 30, 2004	Remaining Commitments
Streets	\$ 20,925,072	\$ 13,520,200
Parks and recreation	11,190,847	2,540,555
Buildings and related improvements	12,935,850	3,095,450
Total	\$ 45,051,769	\$ 19,156,205

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 4 – Capital Assets, continued

A summary of changes in capital assets for business-type activities is as follows:

Business-Type Activities	Balance July 1, 2003	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2004
Capital assets, note being depreciated:				
Land	\$ 35,900,367	\$ 2,996,068	\$ (28,999)	\$ 38,867,436
Construction in progress	38,589,585	24,309,927	(58,658,131)	4,241,381
Total capital assets not being depreciated	74,489,952	27,305,995	(58,687,130)	43,108,817
Capital assets, being depreciated:				
System improvements	492,120,268	62,133,820		554,254,088
Building and improvements	15,255,263	2,134,731	(128,137)	17,261,857
Vehicles, machinery and equipment	12,495,486	967,595	(161,113)	13,301,968
Land improvements	1,251,852	5,025	-	1,256,877
Total capital assets being depreciated	521,122,869	65,241,171	(289,250)	586,074,790
Less accumulated depreciation for:				
System improvements	(186,687,445)	(21,746,299)	-	(208,433,744)
Buildings and improvements	(7,372,782)	(483,939)	32,353	(7,824,368)
Vehicles, machinery and equipment	(9,148,250)	(680,722)	85,715	(9,743,257)
Land improvements	(886,092)	(27,922)	-	(914,014)
Total accumulated depreciation	(204,094,569)	(22,938,882)	118,068	(226,915,383)
Total capital assets, being depreciated, net	317,028,300	42,302,289	(171,182)	359,159,407
Business-type activities capital assets, net	<u>\$ 391,518,252</u>	<u>\$ 69,608,284</u>	<u>\$ (58,858,312)</u>	<u>\$ 402,268,224</u>

Construction in progress in the business-type activities is comprised of the following:

	Expended to June 30, 2004	Remaining Commitments
Buildings and improvements	\$ 332,054	\$ 153,873
Sewer system improvements	2,209,478	4,920,160
Water system improvements	985,579	6,746,527
Airport improvements	45,522	2,338,847
Solid waste improvements	668,748	2,855,136
Total	<u>\$ 4,241,381</u>	<u>\$ 17,014,543</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 4 – Capital Assets, concluded

A summary of changes in capital assets for the Chandler Cultural Foundation is as follows:

<u>Chandler Cultural Foundation</u>	Balance July 1, 2003	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2004
Artwork, not being depreciated	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>
Equipment	35,941	-	-	35,941
Office furniture	13,466	-	-	13,466
Leasehold improvements	5,414	-	-	5,414
Site improvement	<u>52,552</u>	<u>-</u>	<u>-</u>	<u>52,552</u>
 Total capital assets being depreciated	<u>107,373</u>	<u>-</u>	<u>-</u>	<u>107,373</u>
 Less accumulated depreciation	<u>(81,176)</u>	<u>(6,074)</u>	<u>-</u>	<u>(87,250)</u>
 Total capital assets, net	<u>\$ 32,197</u>	<u>\$ (6,074)</u>	<u>\$ -</u>	<u>\$ 26,123</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 926,489
Public safety	2,136,286
Community services	2,569,144
Community development	7,959
Public works	<u>3,575,838</u>
 Total depreciation expense - governmental activities	<u>\$ 9,215,716</u>
 Business-type activities:	
Water	\$ 11,580,665
Wastewater	9,825,220
Solid waste	475,935
Airport	724,677
Chandler Housing Authority	<u>332,385</u>
 Total depreciation expense - business-type activities	<u>\$ 22,938,882</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 5 - Operating Leases

The City leases approximately 69,000 square feet of office and library space under noncancelable operating leases expiring through June 2020. One office lease allows for basic annual rent escalations of 3% per annum in the 4th, 7th and 10th lease years and the library lease allows for annual rent escalations of 3.5% per annum. Total costs for such leases were \$1,422,169 for the year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	
2005	\$ 1,456,416
2006	1,496,210
2007	1,532,880
2008	1,178,554
2009	922,705
2010-2020	6,022,134
Total	<u><u>\$ 12,608,899</u></u>

NOTE 6 - Long-Term Liabilities

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued for business-type activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10 to 15 year serial bonds, except for refunding issues, with varying amounts of principal maturing each year. General Obligation bonds outstanding as reported in governmental and business-type activities at June 30, 2004 were as follows:

<u>Governmental Activities General Obligation Bonds:</u>	<u>Outstanding June 30, 2004</u>
\$25,285,000 Refunding Bonds, Series 1992, due in annual installments of \$600,000 to \$2,700,000 through 7/1/09; interest at 5 percent to 5.75 percent.	\$ 11,595,000
\$9,850,000 Capital Improvement Bonds, Series 1993, due in annual installments of \$100,000 to \$5,000,000 through 7/1/13; interest at 4.38 percent to 7.38 percent.	1,080,000
\$8,275,000 Capital Improvement Bonds, Series 1994, due in an annual installment of \$1,450,000 at 7/1/10; interest at 8 percent.	1,450,000
\$6,650,000 Capital Improvement Bonds, Series 1996, due in annual installments of \$125,000 to \$3,300,000 starting 7/1/03 through 7/1/15; interest at 5.13 percent to 6.63 percent.	1,225,000
\$8,205,000 Capital Improvement Bonds, Series 1996B, due in annual installments of \$430,000 to \$4,000,000 starting 7/1/10 through 7/1/16; interest at 5.25 percent to 7.25 percent.	1,905,000
\$9,730,000 Refunding Bonds, Series 1997, due in annual installments of \$100,000 to \$2,350,000 starting 7/1/98 through 7/1/13; interest at 4.7 percent to 7.5 percent.	6,705,000
\$3,590,000 Capital Improvement Bonds, Series 1998, due in annual installments of \$165,000 to \$325,000 starting 7/1/03 through 7/1/17; interest at 4.38 percent to 6.3 percent.	3,100,000
\$6,950,000 Capital Improvement Bonds, Series 1999, due in annual installments of \$550,000 to \$875,000 starting 7/1/09 through 7/1/18; interest at 4.35 percent to 6.35 percent.	6,950,000

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 6 - Long-Term Liabilities, continued

	Outstanding June 30, 2004
\$8,520,000 Capital Improvement Bonds, Series 2000, due in annual installments of \$575,000 to \$1,025,000 starting 7/1/09 through 7/1/19; interest at 5 percent to 7 percent.	8,520,000
\$8,040,000 Capital Improvement Bonds, Series 2001, due in annual installments of \$475,000 to \$905,000 starting 7/1/09 through 7/1/20; interest at 5 percent to 5.5 percent.	8,040,000
\$23,000,000 Capital Improvement Bonds, Series 2002, due in annual installments of \$700,000 to \$2,235,000 starting 7/1/03 through 7/1/19; interest at 3 percent to 5 percent.	21,600,000
\$21,375,000 Capital Improvement Bonds, Series 2003, due in annual installments of \$500,000 to \$2,775,000 starting 7/1/04 through 7/1/17; interest at 2 percent to 4 percent.	21,375,000
\$8,935,000 Refunding Bonds, Series 2003, due in annual installments of \$730,000 to \$2,775,000 starting 7/1/10 through 7/1/16; interest at 2.75 percent to 5 percent.	8,935,000

Total Governmental Activities General Obligation Bonds	<u>\$ 102,480,000</u>
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	Outstanding June 30, 2004
Business-Type Activities Supported General Obligation Bonds:	
\$9,850,000 Capital Improvement Bonds, Series 1993, due in annual installments of \$100,000 to \$5,000,000 through 7/1/13; interest at 4.38 percent to 7.38 percent.	\$ 1,195,000
\$17,225,000 Refunding Bonds, Series 2001, due in annual installments of \$335,000 to \$2,290,000 through 7/1/11; interest at 4.25 percent to 5 percent.	15,180,000
\$7,330,000 Refunding Bonds, Series 2003, due in annual installments of \$140,000 to \$2,580,000 starting 7/1/10 through 7/1/15; interest at 2.75 percent to 5.0 percent.	7,330,000

Total Business-Type Activities General Obligation Bonds	<u>\$ 23,705,000</u>
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B. Street and Highway Revenue Bonds

Street and highway revenue bonds are issued specifically for the purpose of constructing street and highway projects. These bonds are payable solely from the revenues derived by the City from highway user taxes, including motor vehicle fuel taxes and all other taxes, fees and charges relating to registration, operation or use of vehicles on public highways or streets or to fuels or any other energy source used for the vehicles collected by the State and returned to the City. Street and highway revenue bonds outstanding as reported in governmental activities at June 30, 2004 were as follows:

	Outstanding June 30, 2004
Governmental Activities Revenue Bonds:	
\$6,130,000 Street & Highway User Bonds, Series 1991, due in annual installments of \$855,000 at 7/1/05; interest at 9.13 percent.	\$ 855,000
\$11,175,000 Street & Highway User Refunding Bonds, Series 1992, due in annual installments of \$40,000 to \$1,805,000 through 7/1/10; interest at 5.38 percent to 6.88 percent.	1,250,000

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 6 - Long-Term Liabilities, continued

	<u>Outstanding June 30, 2004</u>
\$2,500,000 Street & Highway User Bonds, Series 1993, due in annual installments of \$800,000 to \$875,000 starting 7/1/11 through 7/1/13; interest at 5 percent to 6 percent.	800,000
\$5,750,000 Street & Highway User Bonds, Series 1994, due in an annual installment of \$1,100,000 at 7/1/11; interest at 8 percent.	1,100,000
\$6,550,000 Street & Highway User Bonds, Series 1996, due in annual installments of \$125,000 to \$2,750,000 starting 7/1/97 through 7/1/15; interest at 4.88 percent to 6.38 percent.	5,450,000
\$1,250,000 Street & Highway User Bonds, Series 1996B, due in annual installments of \$25,000 to \$1,000,000 starting 7/1/06 though 7/1/16; interest at 5.5 percent to 7.5 percent.	1,250,000
\$5,280,000 Street & Highway User Refunding Bonds, Series 1997, due in annual installments of \$25,000 to \$2,230,000 starting 7/1/98 through 7/1/14; interest at 5.38 percent to 8 percent.	5,130,000
\$5,715,000 Street & Highway User Bonds, Series 1998, due in annual installments of \$165,000 to \$475,000 starting 7/1/99 through 7/1/17; interest at 4.88 percent to 7.38 percent.	4,750,000
\$3,300,000 Street & Highway User Bonds, Series 1999, due in annual installments of \$100,000 to \$250,000 starting 7/1/99 through 7/1/17; interest at 4 percent to 7 percent.	2,650,000
\$2,250,000 Street & Highway User Bonds, Series 2000, due in annual installments of \$75,000 to \$200,000 starting 7/1/00 through 7/1/18; interest at 5.2 percent to 7 percent.	1,950,000
\$6,830,000 Street & Highway User Bonds, Series 2001, due in annual installments of \$210,000 to \$555,000 starting 7/1/01 through 7/1/19; interest at 4.4 percent to 6.4 percent.	5,975,000
\$10,540,000 Street & Highway User Refunding Bonds, Series 2002, due in annual installments of \$240,000 to \$1,845,000 starting 7/1/05 through 7/1/13; interest at 3.0 percent to 4.3 percent.	10,540,000
\$5,000,000 Street & Highway User Bonds, Series 2003, due in annual installments of \$1,000,000 to \$1,500,000 starting 7/1/16 through 7/1/19; interest at 3.5 percent to 5.0 percent.	<u>5,000,000</u>
Total Governmental Activities Revenue Bonds	<u><u>\$ 46,700,000</u></u>

C. Water, Sewer and Solid Waste Revenue Bonds

Water, sewer and solid waste revenue bonds are issued as authorized by the voters to provide funds to acquire and construct certain improvements to the water, sewer and solid waste systems of the City and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues from these systems, and do not constitute a general obligation of the City backed by the general taxing authority. Water, sewer and solid waste revenue bonds outstanding as reported in business-type activities at June 30, 2004 were as follows:

	<u>Outstanding June 30, 2004</u>
Business-Type Activities Revenue Bonds:	
\$5,150,000 Water & Sewer Bonds, Series 1994, due in annual installments of \$2,150,000 to \$3,000,000 starting 7/1/14 through 7/1/15; interest at 6.5 percent to 8 percent.	\$2,150,000
\$16,890,000 Water & Sewer Bonds, Series 1996, due in annual installments of \$240,000 to \$7,500,000 starting 7/1/09 through 7/1/16; interest at 5.25 percent to 7.25 percent.	1,390,000

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 6 - Long-Term Liabilities, continued

	<u>Outstanding June 30, 2004</u>
\$7,770,000 Water & Sewer Refunding Bonds, Series 1997, due in annual installments of \$50,000 to \$4,100,000 starting 7/1/15; interest at 5.13 percent to 7 percent.	7,245,000
\$10,330,000 Water & Sewer Bonds, Series 1998, due in annual installments of \$250,000 to \$4,000,000 starting 7/1/04 through 7/1/17; interest at 4.5 percent to 6.5 percent.	10,330,000
\$5,985,000 Water & Sewer Bonds, Series 1999, due in annual installments of \$275,000 to \$575,000 starting 7/1/03 through 7/1/17; interest at 4.2 percent to 6.2 percent.	5,710,000
\$3,000,000 Water & Sewer Bonds, Series 2000, due in annual installments of \$100,000 to \$500,000 starting 7/1/01 through 7/1/09 and 7/1/13 through 7/1/17; interest at 5 percent to 6.5 percent.	2,400,000
\$12,500,000 Water & Sewer Bonds, Series 2001, due in annual installments of \$420,000 to \$1,045,000 starting 7/1/01 through 7/1/18; interest at 4.25 percent to 6 percent.	10,835,000
\$26,145,000 Water & Sewer Refunding Bonds, Series 2001, due in annual installments of \$515,000 to \$3,485,000 starting 7/1/02 through 7/1/10; interest at 4.25 percent to 5 percent.	23,080,000
\$13,525,000 Sub Lien Water & Sewer Bonds, Series 2002, due in annual installments of \$350,000 to \$1,185,000 starting 7/1/02 through 7/1/10; interest at 3 percent to 4 percent.	11,700,000
\$10,970,000 Water & Sewer Refunding Bonds, Series 2002, due in annual installments of \$300,000 to \$3,755,000 starting 7/1/03 through 7/1/13; interest at 3 percent to 5 percent.	10,670,000
\$17,830,000 Water & Sewer Refunding Bonds, Series 2003, due in annual installments of \$30,000 to \$7,515,000 starting 7/1/04 through 7/1/16; interest at 2 percent to 5 percent.	17,830,000
\$10,000,000 Water & Sewer Bonds, Series 2003, due in annual installments of \$150,000 to \$4,200,000 starting 7/1/04 through 7/1/13; interest at 2 percent to 4 percent.	10,000,000
\$1,700,000 Solid Waste Bonds, Series 1996, due in annual installments of \$50,000 to \$150,000 starting 7/1/98 through 7/1/16; interest at 5.38 percent to 7.38 percent.	1,350,000
\$1,700,000 Solid Waste Bonds, Series 1998, due in annual installments of \$50,000 to \$275,000 starting 7/1/99 through 7/1/17; interest at 6.25 percent to 6.75 percent.	1,450,000
Total Business-Type Activities Revenue Bonds	<u>\$ 116,140,000</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 6 - Long-Term Liabilities, continued

D. Special Assessment Bonds with Governmental Commitment

As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2004, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and related interest. Special assessment bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment outstanding as reported in governmental activities at June 30, 2004 were as follows:

	<u>Outstanding June 30, 2004</u>
Governmental Activities Special Assessment Bonds:	
\$145,000 Improvement District #88 Bonds, due in annual installments of \$14,500 starting 1/1/99 through 1/1/08; interest at 5.63 percent.	\$ 38,000
\$1,760,000 Improvement District #89 Bonds, due in annual installments of \$85,000 to \$160,000 starting 1/1/00 through 1/1/15; interest at 4.75 percent.	1,405,000
Total Special Assessment Bonds with Governmental Commitment	<u>\$ 1,443,000</u>

E. Municipal Property Corporation Certificates of Participation

The Corporation issued \$20,150,000 of Certificates of Participation in 1995 (Certificates). These Certificates were used to acquire a ground lease; acquire and construct certain water production facilities and water system improvements, an industrial process water treatment facility and certain improvements and facilities related to the recharge and reuse of treated wastewater, including engineering, program management and other consulting fees; and to pay all costs incurred to issue the Certificates. The City is required to make lease payments to the Corporation in amounts equal to the principal and interest payable on the Certificates. The lease payments are secured by the City's pledge of net revenues from the operation of the City's water and sewer systems. The Corporation's Certificates outstanding as reported in business-type activities at June 30, 2004 were as follows:

	<u>Outstanding June 30, 2004</u>
Business-Type Activities Certificates of Participation:	
\$20,150,000 Taxable Certificates of Participation, Series 1995, due in annual installments of \$525,000 to \$1,850,000 through 7/1/15; interest at 7 percent to 9.75 percent.	<u>\$ 10,210,000</u>

F. Intergovernmental Loan

The City has an intergovernmental loan with the Arizona Department of Transportation. The original loan amount was \$200,000. The City is required to make loan payments to the Arizona Department of Transportation in amounts equal to the principal and interest payable on the loan. The outstanding amount as reported in business-type activities at June 30, 2004 was as follows:

	<u>Outstanding June 30, 2004</u>
Business-Type Activities Intergovernmental Loan:	
\$200,000 Intergovernmental Loan, due in quarterly installments of \$5,575 through 2/1/08; interest at 5.08 percent	<u>\$ 75,783</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 6 - Long-Term Liabilities, continued

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004 was as follows:

Governmental Activities:	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
General obligation bonds	\$ 106,970,000		\$ (4,490,000)	\$ 102,480,000	\$ 6,475,000
Revenue bonds	48,725,000		(2,025,000)	46,700,000	2,110,000
Special assessment bonds	1,547,500		(104,500)	1,443,000	109,500
Accrued interest - capital appreciation bonds	29,147,730	1,780,660		30,928,390	
Totals	<u>\$ 186,390,230</u>	<u>\$ 1,780,660</u>	<u>\$ (6,619,500)</u>	<u>\$ 181,551,390</u>	<u>\$ 8,694,500</u>
Business-Type Activities:	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
General obligation bonds	\$ 25,395,000		\$ (1,690,000)	\$ 23,705,000	\$ 1,770,000
Revenue bonds	122,735,000		(6,595,000)	116,140,000	6,790,000
Certificates of participation	11,035,000		(825,000)	10,210,000	875,000
Intergovernmental loans	93,706		(17,923)	75,783	18,841
Landfill closure/post closure	12,264,005	968,162		13,232,167	
Totals	<u>\$ 171,522,711</u>	<u>\$ 968,162</u>	<u>\$ (9,127,923)</u>	<u>\$ 163,362,950</u>	<u>\$ 9,453,841</u>

Statutory Debt Limitation

In the absence of more restrictive bond authorization ballot limitations, the City is subject to state limitations on the amount of net bonded debt, (exclusive of revenue and improvement district bonds) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, sewer, open space and artificial lighting and 6 percent of the secondary assessed valuation for all other purposes. At June 30, 2004, the 6 percent debt limitation was \$108,344,928, providing a debt margin of \$66,819,928, and the 20 percent debt limitation was \$361,149,760, providing a debt margin of \$284,734,760.

Bond Covenants

Pursuant to certain bond indenture agreements, the City is obligated to various limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. The City is in compliance with all such significant limitations and restrictions.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 6 - Long-Term Liabilities, concluded

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for all bonds, loans and certificates of participation payable as of June 30, 2004:

GOVERNMENTAL ACTIVITIES							
Years Ended June 30	General Obligation Principal	General Obligation Interest	Highway Users Revenue Principal	Highway Users Revenue Interest	Improvement Districts Principal	Improvement Districts Interest	Total
2005	\$ 6,475,000	\$ 7,155,118	\$ 2,110,000	\$ 2,171,308	\$ 109,500	\$ 68,875	\$ 18,089,801
2006	6,125,000	7,198,227	2,095,000	2,036,730	114,500	63,591	17,633,048
2007	4,412,572	7,289,553	2,645,000	1,920,709	119,500	58,069	16,445,403
2008	4,417,571	7,336,398	2,740,000	1,821,123	124,500	52,309	16,491,901
2009	4,292,571	7,406,680	2,885,000	1,712,979	120,000	46,312	16,463,542
2010-2014	38,622,286	15,108,212	16,380,000	6,447,940	695,000	139,888	77,393,326
2015-2019	33,450,000	4,778,253	15,790,000	2,055,173	160,000	7,600	56,241,026
2020-2023	4,685,000	160,000	2,055,000	40,125	-	-	6,940,125
Total	\$ 102,480,000	\$ 56,432,441	\$ 46,700,000	\$ 18,206,087	\$ 1,443,000	\$ 436,644	\$225,698,172

BUSINESS-TYPE ACTIVITIES									
Years Ended June 30	General Obligation Principal	General Obligation Interest	Revenue Principal	Revenue Interest	Certificates of Participation Principal	Certificates of Participation Interest	Intergov. Loan Principal	Intergov. Loan Interest	Total
2005	\$ 1,770,000	\$ 1,066,826	\$ 6,790,000	\$ 5,069,853	\$ 875,000	\$ 755,295	\$ 18,841	\$ 3,460	\$ 16,349,275
2006	1,955,000	985,222	7,640,000	4,776,866	950,000	694,045	19,807	2,494	17,023,434
2007	2,092,429	892,893	7,925,000	4,475,378	1,025,000	625,170	20,822	1,479	17,058,171
2008	2,172,429	792,648	8,245,000	4,156,746	1,100,000	550,857	16,313	413	17,034,406
2009	2,252,428	691,422	8,605,000	3,824,218	1,175,000	471,108	-	-	17,019,176
2010-2014	8,497,714	2,005,159	42,585,000	13,535,551	5,085,000	946,480	-	-	72,654,904
2015-2019	4,965,000	243,375	34,350,000	3,393,823	-	-	-	-	42,952,198
Total	\$ 23,705,000	\$ 6,677,545	\$ 116,140,000	\$ 39,232,435	\$ 10,210,000	\$ 4,042,955	\$ 75,783	\$ 7,846	\$ 200,091,564

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 7 - Defeased Debt

Prior Year Defeasance

In prior years, the City defeased certain general obligation, water and sewer revenue, street and highway user revenue, and Municipal Property Corporation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. Bonds which have been advance refunded (defeased) as of June 30, 2004 are as follows:

Refunded Debt Outstanding	Amount
Water and Sewer Revenue Bonds, Series 1994	\$ 3,000,000
Water and Sewer Revenue Bonds, Series 1996	15,500,000
Streets and Highway User Revenue Bonds, Series 1994	4,650,000
General Obligation Bonds, Projects of 1985 & 1987, Series 1989	8,300,000
General Obligation Bonds, Series 1990	6,435,000
General Obligation Bonds, Series 1994	6,825,000
General Obligation Bonds, Series 1996	5,300,000
General Obligation Bonds, Series 1996B	6,300,000
General Obligation Bonds, Series 1998	325,000
Municipal Property Corporation Bonds, Series 1995	4,165,000
Total Refunded Bonds Outstanding	<u>\$ 60,800,000</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 8 – Landfill Closure and Postclosure Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. As of June 30, 2004, the City estimated total costs, related to landfill closure and postclosure care, is \$17,677,211. Using the percentage of usage method, currently at 96.66 percent, the City has recognized closure and postclosure care costs of \$17,085,997, of which \$3,853,831 has been paid to date. The remaining balance of \$13,232,167 is recorded as a non-current liability on the City's financial statements. The remaining estimated costs of \$591,214 will be recognized between July 1, 2004 and October 2005 when the landfill is projected to be filled to capacity.

The estimated total current cost of the landfill closure and postclosure, \$17,677,211, is based on the amount that would be paid if all equipment, facilities, and services required to care, monitor and maintain the landfill were acquired as of June 30, 2004. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The City is required by state and federal regulations to comply with the local government financial test requirements that assure the City can meet the costs of landfill closure, postclosure, and corrective action when needed. The City meets the Bond Rating Requirement as the City's outstanding, rated, general obligation bonds are not secured by insurance, a letter of credit, or other collateral or guarantees, and the general obligation bonds have a current rating of Aaa, Aa, A, or Baa, as issued by Moody's, or AAA, AA, A, or BB, as issued by Standard and Poor's on all such general obligation bonds. In addition, the City is neither currently in default on any outstanding general obligation bonds, nor has any general obligation bonds rated lower than Baa, as issued by Moody's, or BBB, as issued by Standard and Poor's. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and any additional costs that might arise from changes in postclosure requirements, e.g., due to changes in technology or more rigorous environmental regulations, may need to be covered by additional charges to future landfill users, taxpayers, or both.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 9 - Capital Contributions

Capital contributions in the Water, Wastewater, Solid Waste, Airport, and Housing Authority funds amounted to the following:

	System Development Fees	Developer Contributions	Government Contributions	Total
Water	\$ 18,128,543	\$ 4,399,052	\$ -	\$ 22,527,595
Wastewater	6,914,410	4,205,544	-	11,119,954
Solid Waste	406,874	-	-	406,874
Airport	-	-	60,786	60,786
Housing Authority	-	-	233,058	233,058
Total	<u>\$ 25,449,827</u>	<u>\$ 8,604,596</u>	<u>\$ 293,844</u>	<u>\$ 34,348,267</u>

NOTE 10 – Fund Equity

In addition, reserves for encumbrances and inventories are shown on the governmental fund financial statements. The City may also designate through administrative policy portions of net assets in funds to demonstrate the government's intended use of those net assets. Restrictions, reservations and designations of fund balances and net assets at June 30, 2004, were as follows:

	Fund Statements	
	General	Non-Major Governmental Funds
Fund Balance:		
Reserved:		
Encumbrances	\$ 5,801,328	\$ -
Contractual Obligations	31,500,000	
Debt Service	13,343,411	834,326
Capital Improvements	-	75,869,259
Total Reserved	<u>50,644,739</u>	<u>76,703,585</u>
Unreserved:		
Designated:		
Capital Improvements	82,514,039	-
Compensated Absences	4,922,000	
Expenditure Control Budgeting	2,584,755	-
Budgetary Commitments	5,569,560	
Self-Insurance	2,500,000	-
City Council 15 percent Contingency Reserve	22,670,068	-
Undesignated	5,331,450	5,648,789
Total Fund Balance	<u>\$ 176,736,611</u>	<u>\$ 82,352,374</u>

Reservations of Fund Balances

At June 30, 2004, reserved amounts of fund balance represent the following:

- 1) Encumbrances - comprises purchase obligations outstanding at the end of the fiscal year;
- 2) Debt Service - payment of future principal and interest unpaid at the end of the fiscal year and/or amounts accumulated and reserved/restricted for improvement district debt and general obligation debt;
- 3) Capital Improvements - amounts reserved for specific projects and amounts appropriated as part of the City's 2004/2005 budget.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 10 – Fund Equity, concluded

Net Assets

Restricted net assets shown on the financial statements are restrictions imposed by external sources or by law through constitutional provisions or enabling legislation. Net assets at June 30, 2004, were as follows:

	Governmental Activities	Water	Wastewater	Solid Waste	Non-Major Enterprise Funds	Pension Trust
Net Assets:						
Invested in capital assets, net of related debt	\$ 101,665,063	\$ 103,350,196	\$ 108,649,485	\$ 6,029,494	\$ 34,088,108	
Restricted:						
Debt Service	14,177,737	289,689	891,888	303,063		
Capital Improvements	75,869,259	36,181,427	10,454,782	14,266,260	56,098	
Claims		1,542,183				
Volunteer Fireman's Pension						66,806
Unrestricted	224,309,216	67,714,250	20,835,777	(10,381,902)	4,276,408	
Total Net Assets	<u>\$ 416,021,275</u>	<u>\$ 209,077,745</u>	<u>\$ 140,831,932</u>	<u>\$ 10,216,915</u>	<u>\$ 38,420,614</u>	<u>\$ 66,806</u>

Restricted Net Assets

At June 30, 2004, restricted amounts of net assets represent the following:

- 1) Debt Service - amount reserved pursuant to Municipal Property Corporation bond agreement;
- 2) Capital Improvements - amounts reserved for specific projects and amounts appropriated as part of the City's 2004/2005 budget;
- 3) Volunteer Firemen's Pension - actuarially determined benefits payable under the Volunteer Firemen's Pension and Relief Trust Fund.

NOTE 11 - Retirement and Pension Plans

All full-time employees of the City, the Mayor and City Council are covered by one of three pension plans. All full-time City employees, except public safety personnel, participate in the Arizona State Retirement System, a multiple-employer cost-sharing pension plan. Public safety personnel participate in the Public Safety Personnel Retirement System, which is an agent multiple-employer plan. The Mayor and City Council participate in the Elected Officials' Retirement Plan, a multiple-employer cost sharing pension plan. All three pension plans are administered by the State of Arizona.

Arizona State Retirement System

A. Plan Description

All full-time City employees (except public safety personnel) participate in the Arizona State Retirement System (the System), a multiple-employer cost sharing defined benefit pension plan. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The system provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, P.O. Box 33910, Phoenix, AZ 85067-3910, or by calling 1-800-621-3778.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 11 - Retirement and Pension Plans, continued

B. Funding Policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona Legislature is able to legislate a contribution rate other than the actuarially determined rate. The actuarially determined contribution rates for the years ended June 30, 2004, 2003, and 2002 were 5.7 percent (5.2 percent retirement and 0.50 percent long-term disability), 2.49 percent (2.0 percent retirement and 0.49 percent long-term disability), and 2.49 percent (2.0 percent retirement and 0.49 percent long-term disability), respectively for both employees and employers. The City's contributions to the System for the years ended June 30, 2004, 2003 and 2002, were \$2,790,651, \$1,159,788, and \$1,068,785, respectively, equal to the required contributions for each year.

Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees)

A. Plan Description

All full-time sworn police officers and fire fighters are eligible to participate in the Public Safety Personnel Retirement System (PSPRS) in separate agent multiple-employer defined benefit retirement plans. PSPRS was established by Title 38, chapter 5, Article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS is jointly administered by the fund manager and 167 local boards. The fund manager is a five-member board appointed by the Governor and the State Legislature. The fund manager is responsible for establishing contribution rates in accordance with an actuarial study. The PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel Retirement System of the State of Arizona issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri Avenue, Phoenix, AZ 85014 or by calling (602) 255-5575.

B. Funding Policy

The System is funded through a member contribution of 7.65 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's current contribution rate for police is 9.03 percent of annual covered payroll, and the current contribution rate for firefighters is 6.77 percent of annual covered payroll. Contribution rates for police for 2003 and 2002 were 8.11 percent and 10.32 percent, respectively and contribution rates for firefighters for 2003 and 2002 were 5.11 percent and 7.61 percent respectively.

C. Annual Pension Cost

For fiscal year 2003/04, the City's annual pension cost of \$1,617,595 for police and \$701,282 for firefighters for PSPRS was equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2003, actuarial valuations using the individual entry-age actuarial cost method.

For police, the actuarial assumptions include (a) a rate of return on the investment of present and future assets of 9 percent per year compounded annually, attributable to inflation and other across-the-board increases, (b) projected salary increases of 6.5 percent compounded annually attributable to inflation and other across-the-board increases, and (c) additional projected salary increases of 0 percent to 3 percent per year attributable to seniority/merit. For firefighters, the actuarial assumptions include (a) a rate of return on the investment of present and future assets of 9 percent per year compounded annually, attributable to inflation and other across-the-board increases, (b) projected salary increases of 6.5 percent compounded annually attributable to inflation and other across-the-board increases, and (c) additional projected salary increases of 0 percent to 3.0 percent per year attributable to seniority/merit. For both police and firefighters,

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 11 - Retirement and Pension Plans, continued

Included in (b) is an inflation component of 5.5 percent. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over a four-year period. PSPRS's unfunded accrued liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at July 1, 2003, was 20 years.

Arizona Public Safety Personnel Retirement System - Police
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2001	\$ 1,654,558	100%	\$ -
2002	\$ 1,677,675	100%	\$ -
2003	\$ 1,451,591	100%	\$ -

Arizona Public Safety Personnel Retirement System - Firefighters
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2001	\$ 867,410	100%	\$ -
2002	\$ 797,177	100%	\$ -
2003	\$ 720,336	100%	\$ -

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 11 - Retirement and Pension Plans, continued

Arizona Public Safety Personnel Retirement System - Police
Schedule of Funding Progress

Valuation Date 30-Jun	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2001	39,280,337	35,481,639	110.7%	(3,798,698)	15,612,044	—
2002	42,359,413	39,896,296	106.2%	(2,463,117)	16,650,975	—
2003	46,801,690	47,605,863	98.3%	804,173	17,809,817	—

Arizona Public Safety Personnel Retirement System - Firefighters
Schedule of Funding Progress

Valuation Date 30-Jun	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2001	28,698,459	22,722,135	126.3%	(5,976,324)	8,568,962	—
2002	30,500,426	25,675,248	118.8%	(4,825,178)	9,239,086	—
2003	33,197,589	30,396,139	109.2%	(2,801,450)	10,015,921	—

Elected Officials' Retirement Plan (Mayor and City Council)

A. Plan Description

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a multiple-employer cost sharing defined benefit pension plan. The EORP was established and is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and certain City-elected officials. The fund manager of the PSPRS is also the administrator for the EORP. EORP provides retirement benefits, as well as death and disability benefits. The Elected Officials' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for EORP. The report may be obtained by writing to Elected Officials' Retirement Plan, 1020 East Missouri Avenue, Phoenix, AZ 85014 or by calling (602) 255-5575.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 11 - Retirement and Pension Plans, concluded

B. Funding Policy

Covered employees are required by state statute to contribute an amount equal to 7 percent of gross salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amount is to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rates for fiscal years ended June 2004, 2003, and 2002, were 13.49 percent, 6.97 percent, and 6.97 percent, respectively. The city's contributions to EORP for the years ended June 30, 2004, 2003, and 2002, were \$14,967, \$7,576 and \$7,652, respectively, equal to the required contributions for each year.

Volunteer Firemen's Pension And Relief Fund

A. Plan Description

The Volunteer Firemen's Pension Plan (VFPP) is a single-employer defined benefit pension plan administered by the City. The last actuarial valuation of the Volunteer Firemen's Pension and Relief Fund was made as of June 30, 1983, at which time the actuarial liability was fully funded. As of June 30, 2004, there were two retirees and/or beneficiaries of retirees receiving retirement benefits under the plan. There were no terminated employees entitled to benefits and not yet receiving them. Additionally there are no non-vested active employees and no partially vested employees covered by the plan. The VFPP issues a publicly available financial report that may be obtained from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

B. Funding Policy

There were no contributions to the Volunteer Firemen's Pension and Relief Fund by the City in fiscal year 2003/04. Pursuant to the June 30, 1983, actuarial valuation, the present value of all benefits payable in future years was \$42,626 and the pension obligation was deemed to be fully funded.

To be eligible for benefits under the plan, individuals must have served with a legally organized volunteer fire company or a fire department of any legally incorporated city or town for (1) at least twenty-five years or more or (2) at least twenty years and have reached sixty years of age. Maximum monthly benefits under the plan are two hundred dollars. Pensions may increase or decrease or be discontinued at the discretion of the Board of Directors.

NOTE 12 - Commitments and Contingencies

A. Contractual Commitments

The City has entered into a contract with the United States Government, the State of Arizona, the Central Arizona Water Conservation District, the Flood Control District of Maricopa County, the Salt River Agricultural Improvement Power District, the Salt River Valley Water User's Association and the cities of Glendale, Phoenix, Mesa, Tempe and Tucson to fund certain facilities of the Central Arizona Project known as "Plan Six." Actual contributions and accumulated earnings at June 30, 2004, amounted to \$700,112, and the account is fully funded at June 30, 2004.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 12 - Commitments and Contingencies, concluded

B. Litigation

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

NOTE 13 - Risk Management

The City is exposed to various risks of loss related to litigation, claims and torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters (for which the City carries commercial insurance). The City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. In fiscal year 2003/2004, the Self-Insurance Fund provided coverage for up to a maximum of \$2,000,000 per occurrence for liability claims and \$50,000 for each property damage claim. The City purchases commercial insurance for claims in excess of coverage provided by the Self-Insurance Fund and for all other risks of loss. During fiscal year 2003/2004, there were not significant reductions in the amounts of excess coverage purchased, nor has the City experienced any settlements in excess of insurance coverage over the past four fiscal years.

Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected. Interfund premiums are used to reduce the amount of claim expenditures reported in the Internal Service Fund. In the opinion of City management, based on the advice of the City Attorney, the outcome of such litigation and claims will not have materially adverse effect on the City's financial position.

The claims liability of \$4,566,000 reported in the Self-Insurance Fund at June 30, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liabilities be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$2,000,000 for general liability and \$500,000 for worker's compensation. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Changes in the Fund's claims liability amount in fiscal years 2003 and 2004 were:

Years Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2003	\$ 3,470,000	\$ 3,223,679	\$(1,391,679)	\$ 5,302,000
2004	\$ 5,302,000	\$4,316,078	(\$5,052,078)	\$ 4,566,000

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 14 – Interfund Transfers

The interfund transfers in and out at June 30, 2004 are as follows:

<u>Fund</u>	<u>Transfer Detail</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	Debt Service-General Obligation Bonds	\$ -	\$ 13,789,654
	Capital Projects-Capital Equipment	-	2,209,014
	Capital Projects-Computer Replacement	-	1,847,400
	Capital Projects-Streets	-	1,092,444
	Capital Projects-Community Services	1,000,000	
	Capital Projects-Fleet Replacement		39,506
	Capital Projects-Public Safety		658,940
	Internal Service-Self Insurance	-	2,500,000
	Total General Fund	<u>1,000,000</u>	<u>22,136,958</u>
Special Revenue	Debt Service-Highway User Revenue Bonds	-	4,365,270
Highway User Revenue	Capital Projects-Computer Replacement	-	18,683
	Capital Projects- Capital Equipment	-	231,036
	Total Special Revenue-Highway User Revenue	<u>-</u>	<u>4,614,989</u>
Special Revenue	Capital Projects-Computer Replacement	-	1,525
Local Trans. Assistance	Capital Projects-Capital Equipment	-	3,852
	Total Special Revenue-Local Transportation Assistance	<u>-</u>	<u>5,377</u>
Special Revenue	Capital Projects-Computer Replacement	-	96,862
Grants In Aid	Total Special Revenue-Grants in Aid	<u>-</u>	<u>96,862</u>
	Total Special Revenue Funds	<u>-</u>	<u>4,717,228</u>
Debt Service	General Obligation Bonds	13,789,654	-
	Special Revenue-Highway User Revenue	4,365,270	-
	Total Debt Service	<u>18,154,924</u>	<u>-</u>
Capital Projects	General	1,092,444	-
Streets	Total Capital Projects-Streets	<u>1,092,444</u>	<u>-</u>
Capital Projects	General		1,000,000
Community Services	Capital Projects-Public Safety	106,660	
	Total Capital Projects-Community Services	<u>106,660</u>	<u>1,000,000</u>
Capital Projects	General	2,209,014	-
Capital Equipment	Special Revenue-Highway User Revenue	231,036	-
	Special Revenue-Local Transportation Assistance	3,852	-
	Capital Projects-Computer Replacement		35,313
	Capital Projects-Fleet Replacement		162,703
	Enterprise-Airport	10,740	-
	Enterprise-Solid Waste	83,163	-
	Enterprise-Wastewater	39,632	-
	Enterprise-Water	150,232	-
	Internal Service-Self Insurance	6,047	-
	Total Capital Projects-Capital Equipment	<u>2,733,716</u>	<u>198,016</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 14 – Interfund Transfers, concluded

<u>Fund</u>	<u>Transfer Detail</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects	General	1,847,400	-
Computer Purchase	Special Revenue-Highway User Revenue	18,683	-
	Special Revenue-Local Transportation Assistance	1,525	-
	Special Revenue-Grants in Aid	96,862	-
	Capital Projects-Capital Equipment	35,313	-
	Enterprise-Airport	3,350	-
	Enterprise-Solid Waste	14,021	-
	Enterprise-Wastewater	20,634	-
	Enterprise-Water	59,474	-
	Internal Service-Self Insurance	10,444	-
	Total Capital Projects-Computer Replacement	<u>2,107,706</u>	<u>-</u>
Capital Projects	General	39,506	-
Fleet Replacement	Capital Projects-Capital Equipment	162,703	-
	Internal Service-Self Insurance	15,556	-
	Total Special Revenue-Fleet Replacement	<u>217,765</u>	<u>-</u>
Capital Projects	General	658,940	-
Public Safety	Capital Projects-Community Services	-	106,660
	Enterprise-Water	-	159,990
	Total Special Revenue-Public Safety	<u>658,940</u>	<u>266,650</u>
	Total Capital Projects Funds	<u>6,917,231</u>	<u>1,464,666</u>
Enterprise	Capital Projects-Capital Equipment	-	10,740
Airport	Capital Projects-Computer Replacement	-	3,350
	Total Enterprise-Airport	<u>-</u>	<u>14,090</u>
Enterprise	Capital Projects-Capital Equipment	-	83,163
Solid Waste	Capital Projects-Computer Replacement	-	14,021
	Total Enterprise-Solid Waste	<u>-</u>	<u>97,184</u>
Enterprise	Capital Projects-Computer Replacement	-	39,632
Wastewater	Capital Projects-Capital Equipment	-	20,634
	Total Enterprise-Wastewater	<u>-</u>	<u>60,266</u>
Enterprise	Capital Projects-Capital Equipment	-	150,232
Water	Capital Projects-Computer Replacement	-	59,474
	Capital Projects-Public Safety	159,990	-
	Internal Service-Self Insurance	-	400,000
	Total Enterprise-Water	<u>159,990</u>	<u>609,706</u>
	Total Enterprise Funds	<u>159,990</u>	<u>781,246</u>
Internal Service	General	2,500,000	-
Self Insurance	Capital Projects-Capital Equipment	-	6,047
	Capital projects-Computer Replacement	-	10,444
	Capital Projects-Fleet Replacement	-	15,556
	Enterprise-Water	400,000	-
	Total Internal Service	<u>2,900,000</u>	<u>32,047</u>
Total Transfers		<u>\$ 29,132,145</u>	<u>\$ 29,132,145</u>

Interfund transfers are made from various funds and cost centers to fund costs including dental insurance, computer replacements, capital equipment purchases and debt service.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2004

NOTE 15 – Interfund Due To/Due From

The interfund loans at June 30, 2004 are as follows:

Fund	Loan Detail	Due To	Due From
Special Revenue			
Highway User Revenue	Special Revenue - Grants-in-Aid		\$ 2,404,000
	Total Special Revenue - Highway User Revenue	-	2,404,000
Special Revenue			
Grants-in-Aid	Special Revenue - Highway User Revenue	2,404,000	
		2,404,000	-
	Total Special Revenue Funds	2,404,000	2,404,000
Total Interfund Loans		\$ 2,404,000	\$ 2,404,000

The interfund loan is made to cover Grants-In-Aid operating expenditures pending the receipt of grant revenues.



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Where Values Make The Difference

**BUDGETARY COMPARISON SCHEDULE FOR MAJOR
GOVERNMENTAL FUND
(REQUIRED SUPPLEMENTARY INFORMATION)**

CITY OF CHANDLER, ARIZONA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Non-GAAP Actual	
Revenues:				
Taxes-local	\$ 84,916,926	\$ 84,916,926	\$ 90,978,636	\$ 6,061,710
Taxes-intergovernmental	35,977,350	35,977,350	39,696,879	3,719,529
Licenses and permits	5,477,400	5,477,400	7,499,922	2,022,522
Charges for current services	13,731,118	13,816,118	13,256,259	(559,859)
Fines and forfeitures	4,471,600	4,421,600	3,506,668	(914,932)
Rentals	56,650	21,650	18,012	(3,638)
Interest income	3,036,545	3,036,545	2,414,401	(622,144)
Miscellaneous	484,408	484,408	879,995	395,587
Total revenues	148,151,997	148,151,997	158,250,772	10,098,775
Expenditures:				
Current -				
General government	78,269,155	75,378,872	29,019,890	46,358,982
Public safety	59,556,867	60,612,295	57,361,318	3,250,977
Community development	8,881,859	9,712,574	7,168,625	2,543,949
Public works	21,003,636	19,475,860	10,979,886	8,495,974
Community services	21,850,374	22,811,366	20,157,871	2,653,495
Total expenditures	189,561,891	187,990,967	124,687,590	63,303,377
Excess (deficiency) of revenues over expenditures	(41,409,894)	(39,838,970)	33,563,182	73,402,152
Other financing sources (uses):				
Proceeds from sale of capital assets	34,000	34,000	570,431	536,431
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(24,995,113)	(24,511,950)	(22,136,958)	2,374,992
Total other financing sources (uses)	(23,961,113)	(23,477,950)	(20,566,527)	2,911,423
Change in fund balances	(65,371,007)	(63,316,920)	12,996,655	76,313,575
Fund balances, July 1, 2003			164,377,248	164,377,248
Fund balances (deficits), June 30, 2004	\$ (65,371,007)	\$ (63,316,920)	\$ 177,373,903	\$ 240,690,823

See accompanying notes to this schedule.

CITY OF CHANDLER, ARIZONA
Notes to Required Supplementary Information
June 30, 2004

NOTE 1 – Budgetary Basis of Accounting

The adopted budget of the City is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exceptions: (1) reserved encumbrances at year end are recognized as expenditures, (2) sales, property, and auto lieu tax accruals, (3) accrued compensated absences and accrued payroll were not recognized as expenditures (4) unrealized loss on investments, (5) miscellaneous cash receipts. Consequently, the following adjustments are necessary to present the change in fund balance on a budgetary basis in order to provide a meaningful comparison.

	<u>Change in Fund Balances</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 7,100,470
Taxes accrued as revenue for GAAP in the fiscal year ended June 30, 2003	7,965,308
Taxes accrued as revenue for GAAP in the fiscal year ended June 30, 2004	(6,731,264)
Unrealized loss accrued for GAAP in the fiscal year ended June 30, 2004	758,485
Cash receipts accrued as revenue for GAAP in the fiscal year ended June 30, 2004	(44,041)
Reserved encumbrances at June 30, 2003 recognized as budgetary expenditures in the fiscal year ended June 30, 2003	8,537,062
Reserved encumbrances at June 30, 2004 recognized as budgetary expenditures in the fiscal year ended June 30, 2004	(5,801,328)
Accrued payroll not recognized as budgetary basis expenditures for the fiscal year ended June 30, 2004	915,757
Accrued compensated absences not recognized as budgetary basis expenditures for the fiscal year ended June 30, 2004	<u>296,206</u>
Budgetary Comparison Schedule for the General Fund	<u><u>\$ 12,996,655</u></u>



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**COMBINING NON-MAJOR AND FIDUCIARY FUND
FINANCIAL STATEMENTS**

CITY OF CHANDLER, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2004

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 3,633,909	\$ 15,699,577	\$ 77,273,917	\$ 96,607,403
Accounts receivable	2,093	-	38,000	40,093
Accrued interest receivable	2,252	-	19,592	21,844
Due from other funds	2,404,000	-	-	2,404,000
Amounts due from other governments	2,758,635	-	-	2,758,635
Special assessments receivable	-	1,077,701	-	1,077,701
Other assets	-	-	5,340	5,340
Total assets	\$ 8,800,889	\$ 16,777,278	\$ 77,336,849	\$ 102,915,016
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 247,297	\$ 5,178	\$ 1,371,012	\$ 1,623,487
Accrued payroll and compensated absences	300,189	-	10,186	310,375
Accrued interest payable	-	6,356,771	-	6,356,771
Due to other funds	2,404,000	-	-	2,404,000
Arbitrage liability	-	-	287,006	287,006
Bonds payable	-	8,585,000	-	8,585,000
Deferred revenue	-	996,003	-	996,003
Total liabilities	2,951,486	15,942,952	1,668,204	20,562,642
Fund balances:				
Reserved for capital improvements	200,614	-	75,668,645	75,869,259
Reserved for debt service	-	834,326	-	834,326
Unreserved:				
Undesignated	5,648,789	-	-	5,648,789
Total fund balances	5,849,403	834,326	75,668,645	82,352,374
Total liabilities and fund balances	\$ 8,800,889	\$ 16,777,278	\$ 77,336,849	\$ 102,915,016

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2004

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes-intergovernmental	\$ 12,225,100	\$ -	\$ -	\$ 12,225,100
Grants and entitlements	4,217,697	-	-	4,217,697
System development fees	-	-	15,165,191	15,165,191
Special assessments	-	251,608	-	251,608
Charges for current services	103,729	-	-	103,729
Contributions	5,980	-	-	5,980
Interest income	43,863	-	470,635	514,498
Miscellaneous	385,518	-	939,033	1,324,551
Total revenues	<u>16,981,887</u>	<u>251,608</u>	<u>16,574,859</u>	<u>33,808,354</u>
Expenditures:				
Current -				
General government	291,746	-	-	291,746
Public safety	605,470	-	-	605,470
Community development	8,000	-	-	8,000
Public works	10,550,665	-	-	10,550,665
Community services	872,112	-	-	872,112
Municipal utilities	671	-	-	671
Capital improvements	-	-	36,794,139	36,794,139
Debt service -				
Principal retirement	-	8,689,500	-	8,689,500
Interest and fiscal charges	-	9,641,321	-	9,641,321
Total expenditures	<u>12,328,664</u>	<u>18,330,821</u>	<u>36,794,139</u>	<u>67,453,624</u>
Excess (deficiency) of revenues over expenditures	<u>4,653,223</u>	<u>(18,079,213)</u>	<u>(20,219,280)</u>	<u>(33,645,270)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	109,588	109,588
Transfers in	-	18,154,924	6,917,231	25,072,155
Transfers out	(4,717,228)	-	(1,464,666)	(6,181,894)
Total other financing sources (uses)	<u>(4,717,228)</u>	<u>18,154,924</u>	<u>5,562,153</u>	<u>18,999,849</u>
Change in fund balances	<u>(64,005)</u>	<u>75,711</u>	<u>(14,657,127)</u>	<u>(14,645,421)</u>
Fund balances, beginning of year	5,913,408	758,615	90,325,772	96,997,795
Fund balances, end of year	<u>\$ 5,849,403</u>	<u>\$ 834,326</u>	<u>\$ 75,668,645</u>	<u>\$ 82,352,374</u>



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Where Values Make The Difference

NON-MAJOR SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

Highway Users

Used to account for the receipt and expenditure of the City's allocation of State highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related debt.

Local Transportation Assistance

Used to account for the receipt and expenditure of the City's allocation of State lottery monies. State law restricts the use of these monies to street and highway projects in the public right-of-way and to mass transportation purposes.

Grants-In-Aid

Used to account for the receipt and expenditure of miscellaneous federal and state grants awarded to the City for various, specific purposes.

Parks and Recreation

Use to account for donations for park improvements and programs restricted pursuant to donor covenants.

Library

Used to account for donations for library improvements and programs restricted pursuant to donor covenants.

Community Center Building

Used to account for donations restricted to improvements to the City's Community Services Building and facilities.

Chandler Employee

Used to account for monies derived from vending machine income utilized to defray expenses associated with City-sponsored employee functions.

Downtown Redevelopment

Used to account for contributions earmarked for downtown improvements.

Municipal Arts

Used to account for amounts earmarked for municipal arts.

CITY OF CHANDLER, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004

	Highway Users Fund	Local Transportation Assistance	Grants-in-Aid	Parks and Recreation
<u>ASSETS</u>				
Equity in pooled cash and investments	\$ 3,040,829	\$ 111,684	\$ 38	\$ 235,706
Accounts receivable	-	2,093	-	-
Accrued interest receivable	2,111	20	-	58
Due from other funds	2,404,000	-	-	-
Amounts due from other governments	1,056,407	-	1,702,228	-
Total assets	\$ 6,503,347	\$ 113,797	\$ 1,702,266	\$ 235,764
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	37,041	110,067	96,906	1,777
Accrued payroll and compensated absences	266,118	17,332	16,739	-
Due to other funds	-	-	2,404,000	-
Total liabilities	303,159	127,399	2,517,645	1,777
Fund balances (deficits):				
Reserved for capital improvements	-	-	-	-
Unreserved:				
Undesignated	6,200,188	(13,602)	(815,379)	233,987
Total fund balances	6,200,188	(13,602)	(815,379)	233,987
Total liabilities and fund balances	\$ 6,503,347	\$ 113,797	\$ 1,702,266	\$ 235,764

Library	Community Center Building	Chandler Employee	Downtown Redevelopment	Municipal Arts	Totals
\$ 16,398	\$ 18,598	\$ 2,050	\$ 6,537	\$ 202,069	\$ 3,633,909
-	-	-	-	-	2,093
4	5	1	2	51	2,252
-	-	-	-	-	2,404,000
-	-	-	-	-	2,758,635
<u>\$ 16,402</u>	<u>\$ 18,603</u>	<u>\$ 2,051</u>	<u>\$ 6,539</u>	<u>\$ 202,120</u>	<u>\$ 8,800,889</u>
-	-	-	-	1,506	\$ 247,297
-	-	-	-	-	300,189
-	-	-	-	-	2,404,000
				<u>1,506</u>	<u>2,951,486</u>
-	-	-	-	200,614	200,614
16,402	18,603	2,051	6,539	-	5,648,789
<u>16,402</u>	<u>18,603</u>	<u>2,051</u>	<u>6,539</u>	<u>200,614</u>	<u>5,849,403</u>
<u>\$ 16,402</u>	<u>\$ 18,603</u>	<u>\$ 2,051</u>	<u>\$ 6,539</u>	<u>\$ 202,120</u>	<u>\$ 8,800,889</u>

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	Highway Users Fund	Local Transportation Assistance	Grants-in-Aid	Parks and Recreation
Revenues:				
Taxes-intergovernmental	\$ 12,225,100	\$ -	\$ -	\$ -
Grants and entitlements	-	1,285,031	2,932,666	-
Charges for current services	17,890	-	-	-
Contributions	-	-	-	-
Interest income	36,810	2,698	887	1,546
Miscellaneous	55,588	147,039	121,988	60,777
Total revenues	<u>12,335,388</u>	<u>1,434,768</u>	<u>3,055,541</u>	<u>62,323</u>
Expenditures:				
Current -				
General government	164,121	-	126,303	-
Public safety	-	-	605,470	-
Community development	-	-	8,000	-
Public works	6,961,253	1,586,691	2,002,721	-
Community services	-	-	683,533	63,267
Municipal utilities	-	-	671	-
Total expenditures	<u>7,125,374</u>	<u>1,586,691</u>	<u>3,426,698</u>	<u>63,267</u>
Excess (deficiency) of revenues over expenditures	<u>5,210,014</u>	<u>(151,923)</u>	<u>(371,157)</u>	<u>(944)</u>
Other financing sources (uses):				
Transfers out	(4,614,989)	(5,377)	(96,862)	-
Total other financing sources (uses)	<u>(4,614,989)</u>	<u>(5,377)</u>	<u>(96,862)</u>	<u>-</u>
Change in fund balances	<u>595,025</u>	<u>(157,300)</u>	<u>(468,019)</u>	<u>(944)</u>
Fund balances (deficits), beginning of year	5,605,163	143,698	(347,360)	234,931
Fund balances (deficits), end of year	<u>\$ 6,200,188</u>	<u>\$ (13,602)</u>	<u>\$ (815,379)</u>	<u>\$ 233,987</u>

Library	Community Center Building	Chandler Employee	Downtown Redevelopment	Municipal Arts	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,225,100
-	-	-	-	-	4,217,697
-	-	-	-	85,839	103,729
5,980	-	-	-	-	5,980
81	121	23	43	1,654	43,863
-	-	126	-	-	385,518
<u>6,061</u>	<u>121</u>	<u>149</u>	<u>43</u>	<u>87,493</u>	<u>16,981,887</u>
-	-	1,322	-	-	291,746
-	-	-	-	-	605,470
-	-	-	-	-	8,000
-	-	-	-	-	10,550,665
2,639	-	-	-	122,673	872,112
-	-	-	-	-	671
<u>2,639</u>	<u>-</u>	<u>1,322</u>	<u>-</u>	<u>122,673</u>	<u>12,328,664</u>
<u>3,422</u>	<u>121</u>	<u>(1,173)</u>	<u>43</u>	<u>(35,180)</u>	<u>4,653,223</u>
-	-	-	-	-	(4,717,228)
-	-	-	-	-	(4,717,228)
<u>3,422</u>	<u>121</u>	<u>(1,173)</u>	<u>43</u>	<u>(35,180)</u>	<u>(64,005)</u>
12,980	18,482	3,224	6,496	235,794	5,913,408
<u>\$ 16,402</u>	<u>\$ 18,603</u>	<u>\$ 2,051</u>	<u>\$ 6,539</u>	<u>\$ 200,614</u>	<u>\$ 5,849,403</u>



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Where Values Make The Difference

NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are established to account for the accumulation of resources and payments of debt other than debt issued for and serviced by Enterprise Funds.

General Obligation Bonds

Accumulates monies for the payment of principal and interest requirements of the City's tax-supported General Obligation Bonds. General Obligation Bonds are repaid from secondary property taxes.

Highway User Revenue Bonds

Accumulates monies for the payment of principal and interest requirements of the City's Highway User Revenue Bonds. Revenues for repayment are generated from gas tax generated within the State of Arizona.

Special Assessment Bonds

Accumulates monies for the payment of principal and interest on Special Assessment Bonds that were issued to finance costs of improvements applicable to benefiting properties within certain improvement districts.

CITY OF CHANDLER, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2004

	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Totals
<u>ASSETS</u>				
Equity in pooled cash and investments	\$ 11,679,309	\$ 3,229,093	\$ 791,175	\$ 15,699,577
Special assessments receivable	-	-	1,077,701	1,077,701
Total assets	<u>11,679,309</u>	<u>3,229,093</u>	<u>1,868,876</u>	<u>16,777,278</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 5,178	\$ 5,178
Accrued interest payable	5,204,309	1,119,093	33,369	6,356,771
Bonds payable	6,475,000	2,110,000	-	8,585,000
Deferred revenue	-	-	996,003	996,003
Total liabilities	<u>11,679,309</u>	<u>3,229,093</u>	<u>1,034,550</u>	<u>15,942,952</u>
Fund balances:				
Reserved for debt service	-	-	834,326	834,326
Total fund balances	<u>-</u>	<u>-</u>	<u>834,326</u>	<u>834,326</u>
Total liabilities and fund balances	<u>\$ 11,679,309</u>	<u>\$ 3,229,093</u>	<u>\$ 1,868,876</u>	<u>\$ 16,777,278</u>

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2004

	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Totals
Revenues:				
Special assessments	\$ -	\$ -	\$ 251,608	\$ 251,608
Total revenues	<u>-</u>	<u>-</u>	<u>251,608</u>	<u>251,608</u>
Expenditures:				
Debt service -				
Principal retirement	6,475,000	2,110,000	104,500	8,689,500
Interest and fiscal charges	7,314,654	2,255,270	71,397	9,641,321
Total expenditures	<u>13,789,654</u>	<u>4,365,270</u>	<u>175,897</u>	<u>18,330,821</u>
Excess (deficiency) of revenues over expenditures	<u>(13,789,654)</u>	<u>(4,365,270)</u>	<u>75,711</u>	<u>(18,079,213)</u>
Other financing sources (uses):				
Transfers in	13,789,654	4,365,270	-	18,154,924
Total other financing sources (uses)	<u>13,789,654</u>	<u>4,365,270</u>	<u>-</u>	<u>18,154,924</u>
Change in fund balances	<u>-</u>	<u>-</u>	<u>75,711</u>	<u>75,711</u>
Fund balances, beginning of year	-	-	758,615	758,615
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834,326</u>	<u>\$ 834,326</u>



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NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Special Revenue and Enterprise Fund resources are not included in this category.) These funds evolved from the need for special accounting for bond proceeds and grants and contributions for the acquisition of capital assets.

Streets

Used to account for the acquisition, construction and improvements of City streets' projects.

Community Services

Used to account for the acquisition of land and equipment, development, construction and improvement of community parks and projects.

Public Works and General Government

Used to account for the acquisition, construction, reconstruction, improvement and renovation of general government projects.

Public Safety Buildings and Improvements

Used to account for public safety, e.g., police and fire department, building construction, renovation and improvements and equipment purchases.

Capital Equipment Acquisition and Replacement

Used to account for the purchase and/or replacement of general equipment-type assets, e.g., vehicles, furniture, office equipment.

Special Assessments

Used to account for expenditures related to special assessment districts within the City.

Computer Purchase

Used to account for the purchase and/or replacement of computer equipment.

Fleet Replacement

Used to account for the replacement of vehicle fleet.

CITY OF CHANDLER, ARIZONA
COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2004

	<u>Streets</u>	<u>Community Services</u>	<u>Public Works and General Government</u>
<u>ASSETS</u>			
Equity in pooled cash and investments	\$ 29,356,163	\$ 23,526,586	\$ 4,391,424
Accounts receivable	-	-	-
Accrued interest receivable	7,412	5,868	1,098
Other assets	-	5,340	-
Total assets	<u><u>29,363,575</u></u>	<u><u>23,537,794</u></u>	<u><u>4,392,522</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 859,664	\$ 161,926	\$ 138,424
Accrued payroll and compensated absences	-	-	-
Arbitrage liability	150,325	92,136	-
Total liabilities	<u><u>1,009,989</u></u>	<u><u>254,062</u></u>	<u><u>138,424</u></u>
Fund balances:			
Reserved for capital improvements	28,353,586	23,283,732	4,254,098
Total fund balances	<u><u>28,353,586</u></u>	<u><u>23,283,732</u></u>	<u><u>4,254,098</u></u>
Total liabilities and fund balances	<u><u>\$ 29,363,575</u></u>	<u><u>\$ 23,537,794</u></u>	<u><u>\$ 4,392,522</u></u>

Public Safety Buildings and Improvements	Equipment Acquisition and	Special Assessments	Computer Purchase	Fleet Replacement	Totals
\$ 8,330,742	\$ 4,032,943	\$ 5,030,693	\$ 2,450,830	\$ 154,536	\$ 77,273,917
-	-	38,000	-	-	38,000
2,096	1,040	1,420	639	19	19,592
-	-	-	-	-	5,340
<u>8,332,838</u>	<u>4,033,983</u>	<u>5,070,113</u>	<u>2,451,469</u>	<u>154,555</u>	<u>77,336,849</u>
\$ 44,989	\$ 75,555	\$ -	\$ 90,454	\$ -	\$ 1,371,012
-	-	10,186	-	-	10,186
44,545	-	-	-	-	287,006
<u>89,534</u>	<u>75,555</u>	<u>10,186</u>	<u>90,454</u>	<u>-</u>	<u>1,668,204</u>
8,243,304	3,958,428	5,059,927	2,361,015	154,555	75,668,645
<u>8,243,304</u>	<u>3,958,428</u>	<u>5,059,927</u>	<u>2,361,015</u>	<u>154,555</u>	<u>75,668,645</u>
<u>\$ 8,332,838</u>	<u>\$ 4,033,983</u>	<u>\$ 5,070,113</u>	<u>\$ 2,451,469</u>	<u>\$ 154,555</u>	<u>\$ 77,336,849</u>

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Streets</u>	<u>Community Services</u>	<u>Public Works and General Government</u>
Revenues:			
System development fees	\$ 6,389,512	\$ 6,045,702	\$ 1,234,855
Interest income	82,076	223,410	40,160
Miscellaneous	909,381	-	-
Total revenues	<u>7,380,969</u>	<u>6,269,112</u>	<u>1,275,015</u>
Expenditures:			
Capital improvements	<u>16,086,807</u>	<u>11,557,469</u>	<u>3,189,370</u>
Total expenditures	<u>16,086,807</u>	<u>11,557,469</u>	<u>3,189,370</u>
Excess (deficiency) of revenues over expenditures	<u>(8,705,838)</u>	<u>(5,288,357)</u>	<u>(1,914,355)</u>
Other financing sources (uses):			
Proceeds from disposal of capital assets	-	-	-
Transfers in	1,092,444	106,660	-
Transfers out	-	(1,000,000)	-
Total other financing sources (uses)	<u>1,092,444</u>	<u>(893,340)</u>	<u>-</u>
Change in fund balances	<u>(7,613,394)</u>	<u>(6,181,697)</u>	<u>(1,914,355)</u>
Fund balances, beginning of year	35,966,980	29,465,429	6,168,453
Fund balances, end of year	<u><u>\$ 28,353,586</u></u>	<u><u>\$ 23,283,732</u></u>	<u><u>\$ 4,254,098</u></u>

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Where Values Make The Difference

NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are predominantly self-supporting by user charges.

Airport

Used to account for the provision of airport services at the City's municipal airport. All activities necessary to provide such service are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection.

Chandler Housing Authority

Used to account for expenditures of the City's housing assistance programs which consist of housing owned and operated by the City and rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from tenants and the United States Department of Housing and Urban Development.

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF NET ASSETS - NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2004

	Airport	Chandler Housing Authority	Totals
<u>ASSETS</u>			
Current assets:			
Equity in pooled cash and investments	\$ 990,062	\$ 2,661,520	\$ 3,651,582
Accounts receivable	4,199	11,724	15,923
Accrued interest receivable	242	622	864
Amounts due from other governments	-	265,183	265,183
Inventories	30,449	-	30,449
Short term notes receivable	-	45,513	45,513
Total current assets	<u>1,024,952</u>	<u>2,984,562</u>	<u>4,009,514</u>
Noncurrent assets:			
Long-term notes receivable	-	968,647	968,647
Capital assets, net where applicable	26,870,826	7,963,065	34,833,891
Total noncurrent assets	<u>26,870,826</u>	<u>8,931,712</u>	<u>35,802,538</u>
Total assets	<u>27,895,778</u>	<u>11,916,274</u>	<u>39,812,052</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	27,403	116,011	143,414
Accrued payroll and compensated absences	20,671	180,417	201,088
Trust liabilities and deposits	33,225	228,533	261,758
Accrued interest payable	23,305	-	23,305
Arbitrage liability	876	-	876
Bonds payable	18,841	-	18,841
Deferred revenue	15,214	-	15,214
Total current liabilities	<u>139,535</u>	<u>524,961</u>	<u>664,496</u>
Noncurrent liabilities:			
Bonds payable	726,942	-	726,942
Total non-current liabilities	<u>726,942</u>	<u>-</u>	<u>726,942</u>
Total liabilities	<u>866,477</u>	<u>524,961</u>	<u>1,391,438</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	26,125,043	7,963,065	34,088,108
Restricted for capital improvements	56,098	-	56,098
Unrestricted	848,160	3,428,248	4,276,408
Total net assets	<u>\$ 27,029,301</u>	<u>\$ 11,391,313</u>	<u>\$ 38,420,614</u>

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Airport	Chandler Housing Authority	Totals
Operating revenues:			
Service fees	\$ 896,968	\$ -	\$ 896,968
Grants and entitlements	-	6,655,089	6,655,089
Rentals	-	599,088	599,088
Miscellaneous	73	255,169	255,242
House sales	-	1,145,000	1,145,000
Total operating revenues	<u>897,041</u>	<u>8,654,346</u>	<u>9,551,387</u>
Operating expenses:			
Personal services	238,329	1,606,941	1,845,270
Contractual services	28,976	1,797,882	1,826,858
Commodities	415,097	560,881	975,978
Housing assistance payments	-	3,736,505	3,736,505
Depreciation and amortization	724,677	332,385	1,057,062
House sale expenses	-	1,049,856	1,049,856
Total operating expenses	<u>1,407,079</u>	<u>9,084,450</u>	<u>10,491,529</u>
Operating loss	<u>(510,038)</u>	<u>(430,104)</u>	<u>(940,142)</u>
Nonoperating revenues (expenses):			
Interest income	5,365	22,871	28,236
Gain on disposal of capital assets	-	107,401	107,401
Interest expense	(50,989)	-	(50,989)
Total nonoperating revenues (expenses)	<u>(45,624)</u>	<u>130,272</u>	<u>84,648</u>
Income (loss) before operating transfers	<u>(555,662)</u>	<u>(299,832)</u>	<u>(855,494)</u>
Capital contributions	60,786	233,058	293,844
Transfers out	<u>(14,090)</u>	<u>-</u>	<u>(14,090)</u>
Change in net assets	<u>(508,966)</u>	<u>(66,774)</u>	<u>(575,740)</u>
Total net assets, beginning of year	27,538,267	11,458,087	38,996,354
Total net assets, end of year	<u><u>\$ 27,029,301</u></u>	<u><u>\$ 11,391,313</u></u>	<u><u>\$ 38,420,614</u></u>

**CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2004**

	AIRPORT	CHANDLER HOUSING AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received From Customers	\$ 901,497	\$ 1,761,622	\$ 2,663,119
Cash Received From Grantors	-	6,694,774	6,694,774
Cash Payments to Suppliers	(473,748)	(6,705,154)	(7,178,902)
Cash Payments to Employees	(237,412)	(1,634,943)	(1,872,355)
Net Cash Provided By (Used For) Operating Activities	<u>190,337</u>	<u>116,299</u>	<u>306,636</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers Out To Other Funds	(14,090)	-	(14,090)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(14,090)</u>	<u>-</u>	<u>(14,090)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition/Construction of Capital Assets	(60,786)	(263,972)	(324,758)
Proceeds From Sales of Capital Assets	-	173,684	173,684
Principal Paid on Bond Maturities	(17,922)	-	(17,922)
Interest Paid on Bonds	(50,989)	-	(50,989)
Proceeds from Capital Grants	-	233,058	233,058
Principal Received on Mortgage Notes	-	25,576	25,576
Capital Contributed by Developers and Grantors	60,786	-	60,786
Net Cash Provided By (Used For) Capital And Related Financing Activities	<u>(68,911)</u>	<u>168,346</u>	<u>99,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	7,077	27,970	35,047
Net Cash Provided By Investing Activities	<u>7,077</u>	<u>27,970</u>	<u>35,047</u>
Net Increase In Cash And Cash Equivalents	114,413	312,615	427,028
Cash And Cash Equivalents At Beginning Of Year	875,649	2,348,905	3,224,554
Cash And Cash Equivalents At End Of Year	<u>\$ 990,062</u>	<u>\$ 2,661,520</u>	<u>\$ 3,651,582</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Operating Income (Loss)	\$ (510,038)	\$ (430,104)	\$ (940,142)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:			
Depreciation and Amortization	724,677	332,385	1,057,062
Changes In Assets And Liabilities:			
(Increase) In Receivables	(444)	(228,213)	(228,657)
(Increase) Decrease In Inventories	(9,444)	-	(9,444)
Decrease in Assets Held for Resale	-	550,781	550,781
(Decrease) In Payables	(20,231)	(128,785)	(149,016)
Increase in Accrued Payroll and Compensated Absences	917	-	917
Increase In Deposits	700	20,235	20,935
Increase In Deferred Revenue	4,200	-	4,200
Total Adjustments	<u>700,375</u>	<u>546,403</u>	<u>1,246,778</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 190,337</u>	<u>\$ 116,299</u>	<u>\$ 306,636</u>

FIDUCIARY FUND

Fiduciary Funds are used to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of these funds facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

Agency Fund

Miscellaneous Deposit

Used to account for the collection and retention of various deposits as authorized by City Code.

CITY OF CHANDLER, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>MISCELLANEOUS DEPOSIT FUND</u>				
<u>Assets</u>				
Equity in pooled cash and investments	\$ 21,127	102,001	103,483	\$ 19,645
Accounts receivable	<u>693</u>	<u>261</u>	<u>67</u>	<u>887</u>
Total assets	<u>\$ 21,820</u>	<u>102,262</u>	<u>103,550</u>	<u>\$ 20,532</u>
<u>Liabilities</u>				
Due to others	<u>\$ 21,820</u>	<u>102,262</u>	<u>103,550</u>	<u>\$ 20,532</u>
Total liabilities	<u>\$ 21,820</u>	<u>102,262</u>	<u>103,550</u>	<u>\$ 20,532</u>

OTHER SUPPLEMENTAL INFORMATION



Chandler + Arizona
Where Values Make The Difference

**BUDGETARY COMPARISON SCHEDULES –
NON-MAJOR GOVERNMENTAL FUNDS**

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	Highway Users Fund		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Taxes-intergovernmental	\$ 12,229,779	\$ 11,168,693	\$ (1,061,086)
Grants and entitlements			
Charges for current services	70,000	17,890	(52,110)
Contributions			
Interest income	72,000	36,810	(35,190)
Miscellaneous	-	55,588	55,588
Total revenues	<u>12,371,779</u>	<u>11,278,981</u>	<u>(1,092,798)</u>
Expenditures:			
Current -			
General government	1,831,529	174,688	1,656,841
Public safety			
Community development			
Public works	10,023,963	8,082,262	1,941,701
Community services			
Municipal utilities			
Total expenditures	<u>11,855,492</u>	<u>8,256,950</u>	<u>3,598,542</u>
Excess (deficiency) of revenues over expenditures	<u>516,287</u>	<u>3,022,031</u>	<u>2,505,744</u>
Other financing sources (uses):			
Transfers out	(4,631,238)	(4,614,989)	16,249
Total other financing sources (uses)	<u>(4,631,238)</u>	<u>(4,614,989)</u>	<u>16,249</u>
Change in fund balances	<u>(4,114,951)</u>	<u>(1,592,958)</u>	<u>2,521,993</u>
Fund balances, July 1, 2003	-	5,572,537	5,572,537
Fund balances (deficits), June 30, 2004	<u>\$ (4,114,951)</u>	<u>\$ 3,979,579</u>	<u>\$ 8,094,530</u>

Local Transportation Assistance		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
1,031,314	1,285,031	253,717
-	2,698	2,698
45,000	147,039	102,039
1,076,314	1,434,768	358,454
118,202	-	118,202
1,856,580	1,631,701	224,879
1,974,782	1,631,701	343,081
(898,468)	(196,933)	701,535
(5,377)	(5,377)	-
(5,377)	(5,377)	-
(903,845)	(202,310)	701,535
-	184,445	184,445
\$ (903,845)	\$ (17,865)	\$ 885,980

Grants-in-Aid		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
20,793,130	2,357,434	(18,435,696)
-	887	887
-	121,988	121,988
20,793,130	2,480,309	(18,312,821)
407,060	125,734	281,326
3,469,456	726,641	2,742,815
8,000	8,000	-
16,821,014	4,712,957	12,108,057
831,287	649,680	181,607
36,233	(35,561)	71,794
21,573,050	6,187,451	15,385,599
(779,920)	(3,707,142)	(2,927,222)
(96,862)	(96,862)	-
(96,862)	(96,862)	-
(876,782)	(3,804,004)	(2,927,222)
-	184,011	184,011
\$ (876,782)	\$ (3,619,993)	\$ (2,743,211)

(Continued)

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	Parks and Recreation		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Taxes-intergovernmental	\$ -	\$ -	\$ -
Grants and entitlements			
Charges for current services			
Contributions			
Interest income	2,500	1,546	(954)
Miscellaneous	62,350	60,777	(1,573)
Total revenues	<u>64,850</u>	<u>62,323</u>	<u>(2,527)</u>
Expenditures:			
Current -			
General government	54,515	-	54,515
Public safety			
Community development			
Public works			
Community services	160,835	77,783	83,052
Municipal utilities			
Total expenditures	<u>215,350</u>	<u>77,783</u>	<u>137,567</u>
Excess (deficiency) of revenues over expenditures	<u>(150,500)</u>	<u>(15,460)</u>	<u>135,040</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>(150,500)</u>	<u>(15,460)</u>	<u>135,040</u>
Fund balances, July 1, 2003	-	236,379	236,379
Fund balances (deficits), June 30, 2004	<u>\$ (150,500)</u>	<u>\$ 220,919</u>	<u>\$ 371,419</u>

Library		
Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
30,000	5,980	(24,020)
175	81	(94)
<u>30,175</u>	<u>6,061</u>	<u>(24,114)</u>
393	-	393
40,357	2,639	37,718
<u>40,750</u>	<u>2,639</u>	<u>38,111</u>
<u>(10,575)</u>	<u>3,422</u>	<u>13,997</u>
-	-	-
<u>(10,575)</u>	<u>3,422</u>	<u>13,997</u>
-	12,980	12,980
<u>\$ (10,575)</u>	<u>\$ 16,402</u>	<u>\$ 26,977</u>

Community Center Building		
Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
200	121	(79)
<u>200</u>	<u>121</u>	<u>(79)</u>
19,200	-	19,200
<u>19,200</u>	<u>-</u>	<u>19,200</u>
<u>(19,000)</u>	<u>121</u>	<u>19,121</u>
-	-	-
<u>(19,000)</u>	<u>121</u>	<u>19,121</u>
-	18,482	18,482
<u>\$ (19,000)</u>	<u>\$ 18,603</u>	<u>\$ 37,603</u>

(Continued)

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	Chandler Employee		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes-intergovernmental	\$ -	\$ -	\$ -
Grants and entitlements			
Charges for current services			
Contributions			
Interest income	-	23	23
Miscellaneous	-	126	126
Total revenues	<u>-</u>	<u>149</u>	<u>149</u>
Expenditures:			
Current -			
General government	3,000	1,322	1,678
Public safety			
Community development			
Public works			
Community services			
Municipal utilities			
Total expenditures	<u>3,000</u>	<u>1,322</u>	<u>1,678</u>
Excess (deficiency) of revenues over expenditures	<u>(3,000)</u>	<u>(1,173)</u>	<u>1,827</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>(3,000)</u>	<u>(1,173)</u>	<u>1,827</u>
Fund balances, July 1, 2003	<u>-</u>	<u>3,224</u>	<u>3,224</u>
Fund balances (deficits), June 30, 2004	<u>\$ (3,000)</u>	<u>\$ 2,051</u>	<u>\$ 5,051</u>

*The Downtown Redevelopment Fund was included in the City's budget, however, the budget was -0-.

Downtown Redevelopment		
Budget*	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
-	43	43
-	43	43

-	-	-
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-	43	43
---	----	----

-	-	-
---	---	---

-	43	43
---	----	----

-	6,496	6,496
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\$ -	\$ 6,539	\$ 6,539
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Municipal Arts		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
85,839	85,839	-
2,500	1,654	(846)
88,339	87,493	(846)

341,692	167,625	174,067
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341,692	167,625	174,067
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(253,353)	(80,132)	173,221
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-	-	-
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(253,353)	(80,132)	173,221
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-	232,151	232,151
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\$ (253,353)	\$ 152,019	\$ 405,372
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(Continued)

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Concluded)

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Taxes-intergovernmental	\$ 12,229,779	\$ 11,168,693	\$ (1,061,086)
Grants and entitlements	21,824,444	3,642,465	(18,181,979)
Charges for current services	155,839	103,729	(52,110)
Contributions	30,000	5,980	(24,020)
Interest income	77,375	43,863	(33,512)
Miscellaneous	107,350	385,518	278,168
Total revenues	34,424,787	15,350,248	(19,074,539)
Expenditures:			
Current -			
General government	2,433,899	301,744	2,132,155
Public safety	3,469,456	726,641	2,742,815
Community development	8,000	8,000	
Public works	28,701,557	14,426,920	14,274,637
Community services	1,374,171	897,727	476,444
Municipal utilities	36,233	(35,561)	71,794
Total expenditures	36,023,316	16,325,471	19,697,845
Excess (deficiency) of revenues over expenditures	(1,598,529)	(975,223)	623,306
Other financing sources (uses):			
Transfers out	(4,733,477)	(4,717,228)	16,249
Total other financing sources (uses)	(4,733,477)	(4,717,228)	16,249
Change in fund balances	(6,332,006)	(5,692,451)	639,555
Fund balances, July 1, 2003		6,450,705	6,450,705
Fund balances (deficits), June 30, 2004	\$ (6,332,006)	\$ 758,254	\$ 7,090,260



Chandler + Arizona
Where Values Make The Difference

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004

	Streets		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
System development fees	\$ 3,213,000	\$ 6,389,512	\$ 3,176,512
Interest income	222,480	82,076	(140,404)
Miscellaneous	-	909,381	909,381
Total revenues	<u>3,435,480</u>	<u>7,380,969</u>	<u>3,945,489</u>
Expenditures:			
Capital improvements	<u>45,787,899</u>	<u>17,123,051</u>	<u>28,664,848</u>
Total expenditures	<u>45,787,899</u>	<u>17,123,051</u>	<u>28,664,848</u>
Excess (deficiency) of revenues over expenditures	<u>(42,352,419)</u>	<u>(9,742,082)</u>	<u>32,610,337</u>
Other financing sources (uses):			
Face amount of bonds issued	11,869,150	-	(11,869,150)
Proceeds from disposal of capital assets	-	-	-
Transfers in	1,800,000	1,092,444	(707,556)
Transfers out	-	-	-
Total other financing sources (uses)	<u>13,669,150</u>	<u>1,092,444</u>	<u>(12,576,706)</u>
Change in fund balances	<u>(28,683,269)</u>	<u>(8,649,638)</u>	<u>20,033,631</u>
Fund balances, July 1, 2003	-	32,907,506	32,907,506
Fund balances (deficits), June 30, 2004	<u><u>\$ (28,683,269)</u></u>	<u><u>\$ 24,257,868</u></u>	<u><u>\$ 52,941,137</u></u>

Community Services		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 4,329,500	\$ 6,045,702	\$ 1,716,202
286,900	223,410	(63,490)
-	-	-
<u>4,616,400</u>	<u>6,269,112</u>	<u>1,652,712</u>
3,472,925	11,498,648	(8,025,723)
<u>3,472,925</u>	<u>11,498,648</u>	<u>(8,025,723)</u>
1,143,475	(5,229,536)	(6,373,011)
5,682,778	-	(5,682,778)
-	-	-
106,660	106,660	-
<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
<u>4,789,438</u>	<u>(893,340)</u>	<u>(5,682,778)</u>
5,932,913	(6,122,876)	(12,055,789)
-	28,680,854	28,680,854
<u>\$ 5,932,913</u>	<u>\$ 22,557,978</u>	<u>\$ 16,625,065</u>

Public Works and General Government		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 1,016,400	\$ 1,234,855	\$ 218,455
60,000	40,160	(19,840)
-	-	-
<u>1,076,400</u>	<u>1,275,015</u>	<u>198,615</u>
4,348,062	1,684,012	2,664,050
<u>4,348,062</u>	<u>1,684,012</u>	<u>2,664,050</u>
(3,271,662)	(408,997)	2,862,665
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
(3,271,662)	(408,997)	2,862,665
-	4,949,957	4,949,957
<u>\$ (3,271,662)</u>	<u>\$ 4,540,960</u>	<u>\$ 7,812,622</u>

(Continued)

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	Public Safety Buildings and Improvements		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
System development fees	\$ 1,158,000	\$ 1,495,122	\$ 337,122
Interest income	53,500	42,505	(10,995)
Miscellaneous	-	-	-
Total revenues	<u>1,211,500</u>	<u>1,537,627</u>	<u>326,127</u>
Expenditures:			
Capital improvements	<u>14,356,257</u>	<u>696,707</u>	<u>13,659,550</u>
Total expenditures	<u>14,356,257</u>	<u>696,707</u>	<u>13,659,550</u>
Excess (deficiency) of revenues over expenditures	<u>(13,144,757)</u>	<u>840,920</u>	<u>13,985,677</u>
Other financing sources (uses):			
Face amount of bonds issued	2,378,105	-	(2,378,105)
Proceeds from disposal of capital assets	-	-	-
Transfers in	1,500,000	658,940	(841,060)
Transfers out	<u>(266,650)</u>	<u>(266,650)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,611,455</u>	<u>392,290</u>	<u>(3,219,165)</u>
Change in fund balances	<u>(9,533,302)</u>	<u>1,233,210</u>	<u>10,766,512</u>
Fund balances, July 1, 2003	-	6,196,517	6,196,517
Fund balances (deficits), June 30, 2004	<u>\$ (9,533,302)</u>	<u>\$ 7,429,727</u>	<u>\$ 16,963,029</u>

Capital Equipment Acquisition and Replacement		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
45,000	23,541	(21,459)
6,488	29,602	23,114
51,488	53,143	1,655
4,106,375	1,842,847	2,263,528
4,106,375	1,842,847	2,263,528
(4,054,887)	(1,789,704)	2,265,183
-	-	-
45,000	109,588	64,588
3,377,414	2,733,716	(643,698)
(198,016)	(198,016)	-
3,224,398	2,645,288	(579,110)
(830,489)	855,584	1,686,073
-	3,906,991	3,906,991
\$ (830,489)	\$ 4,762,575	\$ 5,593,064

Special Assessments		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
52,000	52,697	697
-	50	50
52,000	52,747	747
112,075	90,886	21,189
112,075	90,886	21,189
(60,075)	(38,139)	21,936
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(60,075)	(38,139)	21,936
-	5,099,434	5,099,434
\$ (60,075)	\$ 5,061,295	\$ 5,121,370

(Continued)

CITY OF CHANDLER, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004
(Concluded)

	Computer Purchase		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
System development fees	\$ -	\$ -	\$ -
Interest income	20,000	6,466	(13,534)
Miscellaneous	-	-	-
Total revenues	<u>20,000</u>	<u>6,466</u>	<u>(13,534)</u>
Expenditures:			
Capital improvements	<u>2,412,830</u>	<u>1,598,236</u>	<u>814,594</u>
Total expenditures	<u>2,412,830</u>	<u>1,598,236</u>	<u>814,594</u>
Excess (deficiency) of revenues over expenditures	<u>(2,392,830)</u>	<u>(1,591,770)</u>	<u>801,060</u>
Other financing sources (uses):			
Face amount of bonds issued	-	-	-
Proceeds from disposal of capital assets	-	-	-
Transfers in	1,978,522	2,107,706	129,184
Transfers out	-	-	-
Total other financing sources (uses)	<u>1,978,522</u>	<u>2,107,706</u>	<u>129,184</u>
Change in fund balances	<u>(414,308)</u>	<u>515,936</u>	<u>930,244</u>
Fund balances, July 1, 2003	-	2,286,310	2,286,310
Fund balances (deficits), June 30, 2004	<u>\$ (414,308)</u>	<u>\$ 2,802,246</u>	<u>\$ 3,216,554</u>

*The Fleet Replacement Fund was included in the City's budget, however, the budget was -0-.

Fleet Replacement		
Budget*	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -
-	(220)	(220)
-	-	-
-	(220)	(220)
-	62,990	(62,990)
-	62,990	(62,990)
-	(63,210)	(63,210)
-	-	-
-	-	-
-	217,765	217,765
-	-	-
-	217,765	217,765
-	154,555	154,555
-	-	-
\$ -	\$ 154,555	\$ 154,555

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 9,716,900	\$ 15,165,191	\$ 5,448,291
739,880	470,635	(269,245)
6,488	939,033	932,545
10,463,268	16,574,859	6,111,591
74,596,423	34,597,377	39,999,046
74,596,423	34,597,377	39,999,046
(64,133,155)	(18,022,518)	46,110,637
19,930,033	-	(19,930,033)
45,000	109,588	64,588
8,762,596	6,917,231	(1,845,365)
(1,464,666)	(1,464,666)	-
27,272,963	5,562,153	(21,710,810)
(36,860,192)	(12,460,365)	24,399,827
-	84,027,569	84,027,569
\$(36,860,192)	\$ 71,567,204	\$ 108,427,396



Chandler + Arizona
Where Values Make The Difference

FINANCIAL DATA SCHEDULE
City of Chandler Housing and Redevelopment Division

**As submitted electronically to U.S. Department of Housing and Urban Development
Real Estate Assessment Center (REAC)**

The Financial Data Schedule is a required electronic submission to the U.S. Department of Housing and Urban Development (HUD) by all Housing Authorities receiving HUD funding. Financial data on each of the grant programs is presented in a combining schedule. The Financial Data Schedule presented herein has been submitted electronically to and approved by HUD.

The activities of the City of Chandler Housing and Redevelopment Division are reported as an enterprise fund in the City's Comprehensive Annual Financial Report.

CITY OF CHANDLER, ARIZONA

FINANCIAL DATA SCHEDULE
CITY OF CHANDLER HOUSING AND REDEVELOPMENT DIVISIONAS SUBMITTED ELECTRONICALLY TO:
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REAL ESTATE ASSESSMENT CENTER (REAC)COMBINING STATEMENT OF NET ASSETS - ALL HUD PROGRAMS
June 30, 2004

FDS Line #	Account Description	HOME 14.239	CDBG 14.218	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871
ASSETS					
111	Cash - Unrestricted	17,544	-	1,383,694	158,195
113	Cash - Restricted for FSS Escrow Accounts	-	-	25,653	117,613
114	Cash - Security Deposits	-	-	78,656	-
122	Accounts Receivable - HUD Other Projects	-	142,198	-	35,287
124	Accounts Receivable - Other Governments	45,601	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	1,725	-
126	Accounts Receivable - Tenants - Dwelling Rents	-	-	21,710	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	(11,711)	-
127	Notes and Mortgages Receivable - current	30,703	14,810	-	-
129	Accrued Interest Receivable	6	-	325	24
161	Land	-	-	2,654,773	-
162	Buildings	-	-	11,212,307	-
164	Furniture, Equipment, Machinery - Admin	5,086	-	261,110	-
166	Accumulated Depreciation	(5,086)	-	(6,165,125)	-
171	Notes and Mortgages Receivable - non-current	237,520	42,736	452,967	-
	TOTAL ASSETS	331,374	199,744	9,916,084	311,119
LIABILITIES					
311	Bank Overdraft	-	11,641	-	-
312	Accounts Payable	1,229	94,302	11,868	752
321	Accrued Wage/Payroll Taxes Payable	6,899	26,830	37,739	18,193
322	Accrued Compensated Absences	2,356	9,425	47,640	14,288
341	Tenant Security Deposits	-	-	78,656	-
345	Other Current Liabilities	-	-	6,611	-
353	Noncurrent Liabilities - Other	-	-	25,653	117,613
	TOTAL LIABILITIES	10,484	142,198	208,167	150,846
NET ASSETS					
508.1	Invested in Capital Assets, net of related debt	-	-	7,963,065	-
512.1	Unrestricted Net Assets	320,890	57,546	1,744,852	160,273
	TOTAL NET ASSETS	320,890	57,546	9,707,917	160,273
	TOTAL LIABILITIES AND NET ASSETS	331,374	199,744	9,916,084	311,119

Capital Fund Program 14.872	ROSS Grant 14.870	Other Business	Total
-	-	909,428	2,468,861
-	-	-	143,266
-	-	-	78,656
41,292	805	-	219,582
-	-	-	45,601
-	-	-	1,725
-	-	-	21,710
-	-	-	(11,711)
-	-	-	45,513
-	-	267	622
-	-	-	2,654,773
-	-	-	11,212,307
-	-	-	266,196
-	-	-	(6,170,211)
-	-	235,424	968,647
<u>41,292</u>	<u>805</u>	<u>1,145,119</u>	<u>11,945,537</u>
16,817	805	-	29,263
7,860	-	-	116,011
8,730	-	432	98,823
7,885	-	-	81,594
-	-	-	78,656
-	-	-	6,611
-	-	-	143,266
<u>41,292</u>	<u>805</u>	<u>432</u>	<u>554,224</u>
-	-	-	7,963,065
-	-	1,144,687	3,428,248
<u>-</u>	<u>-</u>	<u>1,144,687</u>	<u>11,391,313</u>
<u>41,292</u>	<u>805</u>	<u>1,145,119</u>	<u>11,945,537</u>

CITY OF CHANDLER, ARIZONA

FINANCIAL DATA SCHEDULE
CITY OF CHANDLER HOUSING AND REDEVELOPMENT DIVISIONAS SUBMITTED ELECTRONICALLY TO:
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REAL ESTATE ASSESSMENT CENTER (REAC)STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ALL HUD PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2004

FDS Line #	Account Description	HOME 14.239	CDBG 14.218	Low Rent Public Housing 14.850a
REVENUES				
703	Net Tenant Rental Revenue	-	-	599,088
704	Tenant Revenue - Other	-	-	40,683
706	HUD Operating Grants	-	1,484,303	527,880
706.1	HUD Capital Grants	-	-	-
708	Other Government Grants	225,477	-	-
711	Investment Income - Unrestricted	52	-	13,155
713	Proceeds from disposition of assets held for sale	-	-	-
713.1	Cost of Sale of Assets	-	-	-
714	Fraud Recovery	-	-	-
715	Other Revenue	195,415	11,542	7,308
716	Gain/Loss on sale of Fixed Assets	-	-	107,401
	TOTAL REVENUES	<u>420,944</u>	<u>1,495,845</u>	<u>1,295,515</u>
EXPENSES				
911	Administrative Salaries	31,078	187,699	315,706
912	Auditing Fees	-	2,000	4,000
914	Compensated Absences	(188)	(5,552)	4,907
915	Employee Benefit Contributions - Administrative	7,020	53,240	179,470
916	Other Operating - Administrative	300	11,687	46,810
924	Tenant Services - Other	-	-	4,361
931	Water	-	-	41,489
932	Electricity	-	-	49,412
933	Gas	-	-	2,280
938	Other Utility Expenditures	-	-	35,751
941	Ordinary Maintenance and Operations - Labor	-	-	313,291
942	Ordinary Maintenance and Operations - Materials	-	-	175,478
943	Ordinary Maintenance and Operations - Contract Costs	-	-	78,828
961	Insurance	-	-	63,950
962	Other General Expenditures	340,982	1,253,076	23,219
964	Bad Debt - Tenant rents	-	-	21,081
	Total Operating Expenditures	<u>379,192</u>	<u>1,502,150</u>	<u>1,360,033</u>
	Other Expenditures:			
973	Housing assistance Payments	-	-	-
974	Depreciation	-	-	332,385
	TOTAL EXPENDITURES	<u>379,192</u>	<u>1,502,150</u>	<u>1,692,418</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES (USES)		<u>41,752</u>	<u>(6,305)</u>	<u>(396,903)</u>
OTHER FINANCING SOURCES (USES)				
1001	Operating Transfers In	-	-	36,520
1002	Operating Transfers Out	-	(6,520)	-
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(6,520)</u>	<u>36,520</u>
CHANGE IN NET ASSETS		41,752	(12,825)	(360,383)
1104	Residual Equity Transfer	-	-	233,058
TOTAL NET ASSETS, BEGINNING OF YEAR		<u>279,138</u>	<u>70,371</u>	<u>9,835,242</u>
NET ASSETS, END OF YEAR		<u>320,890</u>	<u>57,546</u>	<u>9,707,917</u>
OTHER MEMORANDUM AMOUNTS				
1113	Maximum Annual Contributions Commitment	-	-	-
1115	Contingency Reserve	-	-	-
1120	Unit Months Available	-	-	3640
1121	Number of Unit Months Leased	-	-	3552

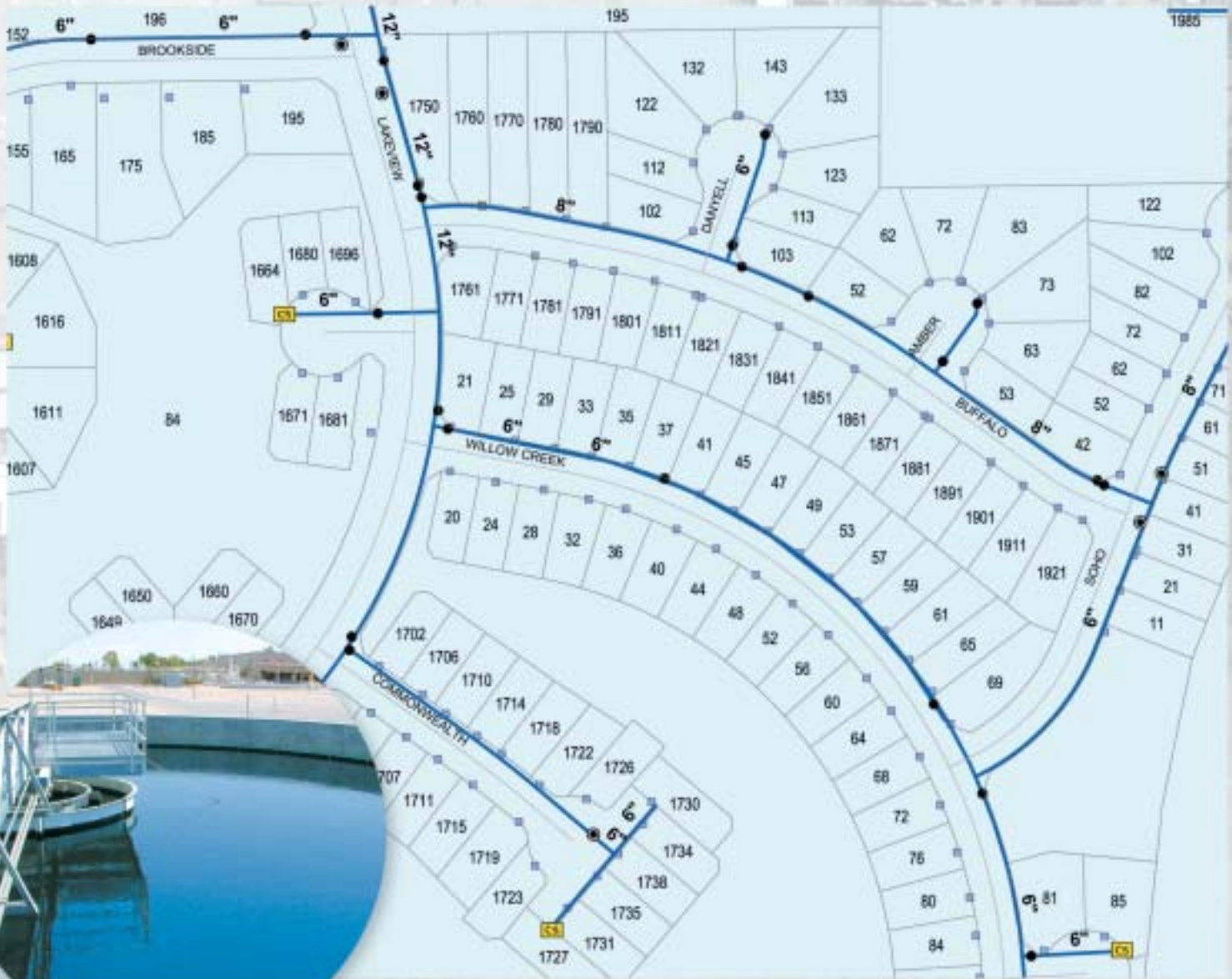
Housing Choice Vouchers 14.871	Capital Fund Program 14.872	ROSS Grant 14.870	Other Business	Total
-	-	-	-	599,088
-	-	-	-	40,683
4,079,482	246,256	91,691	-	6,429,612
-	233,058	-	-	233,058
-	-	-	-	225,477
754	-	-	8,910	22,871
-	-	-	1,145,000	1,145,000
-	-	-	(1,049,856)	(1,049,856)
221	-	-	-	221
-	-	-	-	214,265
-	-	-	-	107,401
<u>4,080,457</u>	<u>479,314</u>	<u>91,691</u>	<u>104,054</u>	<u>7,967,820</u>
257,843	133,734	-	12,302	938,362
3,100	-	-	-	9,100
2,992	926	u	(1,017)	2,068
78,215	32,042	-	3,233	353,220
-	2,819	92	9,147	70,855
-	-	91,599	-	95,960
-	-	-	-	41,489
-	-	-	-	49,412
-	-	-	-	2,280
-	-	-	-	35,751
-	-	-	-	313,291
-	-	-	-	175,478
-	-	-	-	78,828
-	-	-	-	63,950
45,567	46,735	-	5,000	1,714,579
-	-	-	-	21,081
<u>387,717</u>	<u>216,256</u>	<u>91,691</u>	<u>28,665</u>	<u>3,965,704</u>
3,736,505	-	-	-	3,736,505
-	-	-	-	332,385
<u>4,124,222</u>	<u>216,256</u>	<u>91,691</u>	<u>28,665</u>	<u>8,034,594</u>
<u>(43,765)</u>	<u>263,058</u>	<u>-</u>	<u>75,389</u>	<u>(66,774)</u>
-	-	-	-	36,520
-	(30,000)	-	-	(36,520)
<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(43,765)	233,058	-	75,389	(66,774)
204,038	(233,058)	-	1,069,298	-
<u>160,273</u>	<u>-</u>	<u>-</u>	<u>1,144,687</u>	<u>11,391,313</u>
4,159,678	-	-	-	-
281,105	-	-	-	-
5760	-	-	-	-
5712	-	-	-	-



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Where Values Make The Difference

STATISTICAL SECTION

The statistical section includes various statistical schedules including historical expenditure comparisons, property taxes, debt service, and demographic information about the City.



This GIS map is a snapshot of various areas in the City and shows the locations and connections of water facilities such as fire hydrants, water shutoff valves (system valves), water flushing assemblies (water quality), water main pipes, and water meters.



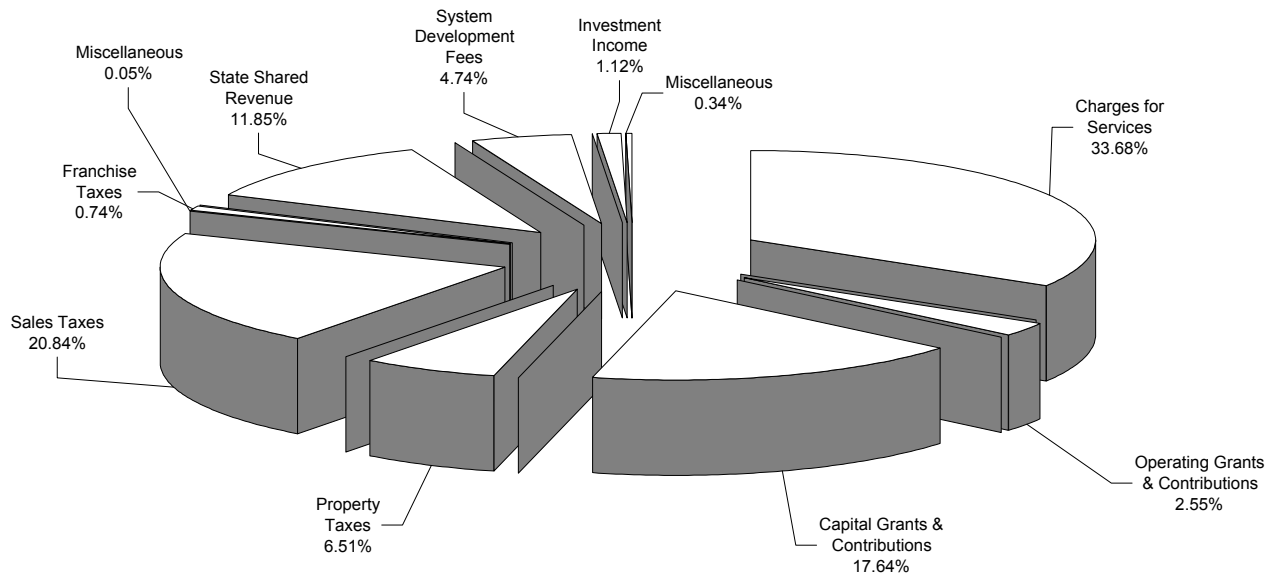
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CITY OF CHANDLER, ARIZONA

GOVERNMENT-WIDE REVENUES
YEAR ENDED JUNE 30, 2004

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Property Taxes	Sales Taxes	Franchise Taxes	State Shared Revenue	System Development Fees	Investment Income	Miscellaneous	Total
2001-02	\$ 82,046,180	\$ 7,279,967	\$ 79,241,975	\$ 16,001,578	\$ 55,070,562	\$ 1,957,618	\$ 37,850,975	\$ 8,320,712	\$ 11,684,618	\$ 801,904	\$ 300,256,089
2002-03	\$ 101,013,980	\$ 9,489,473	\$ 58,830,871	\$ 17,953,164	\$ 60,614,779	\$ 2,249,190	\$ 39,559,356	\$ 8,105,353	\$ (7,519,472)	\$ 1,158,580	\$ 291,455,274
2003-04	\$ 107,772,253	\$ 8,143,458	\$ 56,456,033	\$ 20,818,622	\$ 66,671,049	\$ 2,365,749	\$ 37,903,674	\$ 15,165,191	\$ 3,591,585	\$ 1,072,229	\$ 319,959,843

Government-Wide Revenues

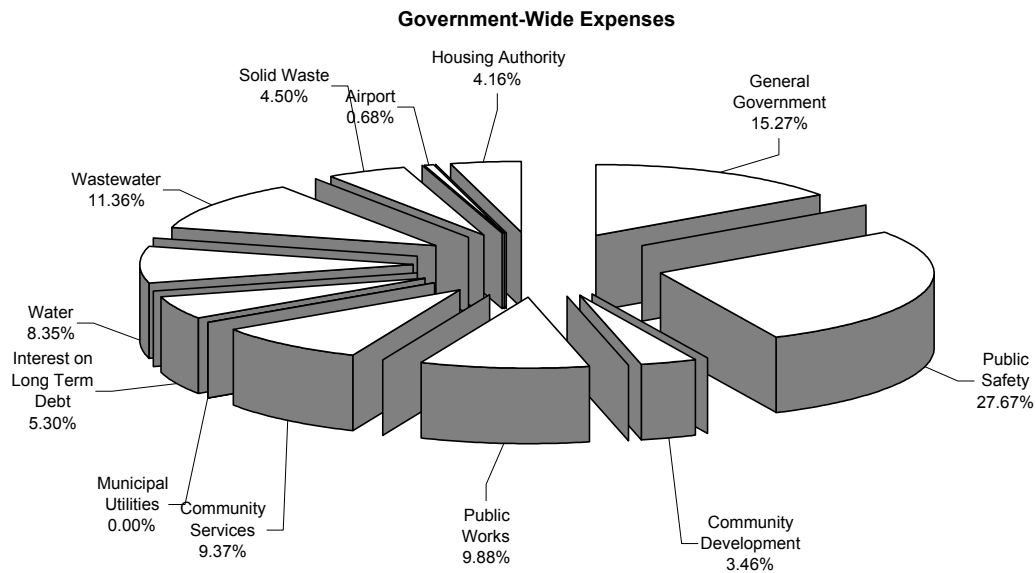


CITY OF CHANDLER, ARIZONA

**GOVERNMENT-WIDE EXPENSES BY FUNCTION
YEAR ENDED JUNE 30, 2004**

Governmental Activities							
Fiscal Year	General Government	Public Safety	Community Development	Public Works	Community Services	Municipal Utilities	Interest on Long Term Debt
2001-02	\$ 32,159,571	\$ 50,221,565	\$ 6,760,718	\$ 20,431,691	\$ 17,668,011	\$ 84,539	\$ 12,398,031
2002-03	\$ 30,610,529	\$ 54,854,074	\$ 7,067,675	\$ 16,097,894	\$ 19,823,356	\$ 97,425	\$ 10,858,078
2003-04	\$ 32,925,516	\$ 59,666,119	\$ 7,457,073	\$ 21,308,737	\$ 20,200,390	\$ 671	\$ 11,426,919

Business-Type Activities						Total Governmental and Business-Type Activities
	Water	Wastewater	Solid Waste	Airport	Housing Authority	
2001-02	\$ 33,004,765	\$ 21,800,113	\$ 8,675,676	\$ 1,305,935	\$ 6,584,884	\$ 211,095,499
2002-03	\$ 35,992,958	\$ 22,986,319	\$ 14,414,774	\$ 1,420,574	\$ 7,082,747	\$ 221,306,403
2003-04	\$ 40,544,967	\$ 24,505,362	\$ 9,705,932	\$ 1,458,068	\$ 8,977,049	\$ 238,176,803



CITY OF CHANDLER, ARIZONA

GENERAL GOVERNMENTAL REVENUES BY SOURCE

Last Ten Fiscal Years

	Total Revenues	Local Taxes	Licenses and Permits	Inter- Governmental	Fines and Forfeitures	Interest	Other	Special Assessments
1993-94	\$ 72,133,479	\$ 23,459,456	\$ 2,446,169	\$ 20,725,377	\$ 1,289,594	\$ 978,816	\$ 15,195,759	\$ 8,038,308
1994-95	88,015,462	35,270,213	3,681,780	22,747,687	1,214,243	2,170,839	17,150,871	5,779,829
1995-96	99,670,819	39,802,513	3,044,396	24,218,772	1,939,625	3,785,176	22,876,877	4,003,460
1996-97	111,930,023	43,144,009	3,124,530	32,430,233	2,011,960	4,841,476	22,630,419	3,747,396
1997-98	113,261,881	47,514,573	4,029,720	34,241,154	2,565,759	5,807,734	17,345,291	1,757,650
1998-99	124,620,146	54,743,902	5,699,464	38,188,387	2,627,517	6,340,846	16,234,860	785,170
1999-00	135,757,133	59,732,187	5,572,080	42,199,249	1,969,478	8,670,019	17,392,587	221,533
2000-01	159,303,865	69,079,352	6,627,557	43,772,423	2,233,173	13,767,036	23,636,505	187,819
2001-02	166,867,792	72,951,061	5,651,522	48,797,917	2,796,157	6,885,010	29,610,973	175,152
2002-03	174,208,592	82,591,633	6,386,478	49,850,293	3,975,613	4,327,282	26,564,051	513,242
2003-04	190,104,397	91,492,704	7,500,437	50,173,867	3,517,080	2,170,414	34,998,287	251,608

Source: City of Chandler, Arizona, Comprehensive Annual Financial Report
General, Special Revenue, Debt Service and Capital Projects Funds, GAAP Basis

CITY OF CHANDLER, ARIZONA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Last Ten Fiscal Years

	Total Tax Revenue	Local			State Shared		
		City Sales	General Property	Franchise	State Sales	Vehicle License	State Income
1994-95	\$51,242,066	\$27,457,349	\$7,069,413	\$743,451	\$6,922,049	\$2,572,942	\$6,476,862
1995-96	56,613,533	30,909,683	8,011,080	881,750	7,482,255	2,465,230	6,863,535
1996-97	66,032,041	33,386,669	8,820,211	937,129	9,331,247	3,534,117	10,022,668
1997-98	72,482,656	36,188,241	10,033,775	1,292,557	9,867,102	3,778,304	11,322,677
1998-99	82,936,033	42,523,642	11,114,921	1,105,339	10,577,030	4,396,845	13,218,256
1999-00	90,651,036	45,371,992	12,506,958	1,628,723	11,626,261	4,849,432	14,667,670
2000-01	101,851,459	52,747,528	14,188,453	2,008,187	12,270,238	5,242,763	15,394,290
2001-02	110,802,036	55,070,563	15,922,881	1,957,617	13,607,408	5,825,942	18,417,625
2002-03	120,376,489	60,614,779	17,953,164	2,249,190	13,810,011	6,955,624	18,793,721
2003-04	127,759,094	66,671,049	20,818,622	2,365,749	14,827,156	7,154,321	15,922,197

Source: City of Chandler, Arizona, Comprehensive Annual Financial Report
General, Special Revenue and Debt Service Funds, GAAP Basis

CITY OF CHANDLER, ARIZONA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

	Total Expenditures	General Government	Public Safety	Community Development	Public Works	Community Services	Municipal Utilities	Debt Service
1994-95	\$ 69,122,505	\$ 10,133,454	\$ 17,886,332	\$ 8,482,726	\$ 8,307,841	\$ 4,860,220	\$ 2,963,573	\$ 16,488,359
1995-96	76,556,549	9,781,149	20,123,365	10,181,640	11,562,497	8,523,422	1,504,509	14,879,967
1996-97	95,192,361	11,052,664	25,089,002	9,446,705	13,614,850	8,944,073	786,015	26,259,052
1997-98	90,450,083	16,622,720	33,593,934	10,000,217	8,236,925	9,380,758	1,479,921	11,135,608
1998-99	104,720,964	19,510,960	33,611,007	10,658,913	9,128,756	11,103,823	219,178	20,488,327
1999-00	110,111,066	18,721,568	35,968,445	11,822,939	12,267,892	14,075,302	926,597	16,328,323
2000-01	118,041,931	19,921,160	42,355,666	15,217,991	13,427,718	16,786,006	165,793	10,167,597
2001-02	136,826,832	28,858,549	49,910,766	6,757,787	20,229,867	17,575,610	84,539	13,409,714
2002-03	144,932,184	29,448,025	53,885,322	7,061,116	18,999,357	20,310,994	97,425	15,129,945
2003-04	159,288,531	31,024,154	58,407,246	7,449,114	23,027,866	21,048,659	671	18,330,821

Source: City of Chandler, Arizona, Comprehensive Annual Financial Report
General, Special Revenue and Debt Service Funds, GAAP Basis

CITY OF CHANDLER, ARIZONA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years (A)

Tax Rates (2):	<u>City of Chandler</u>	<u>Chandler Unified School District (1)</u>	<u>Maricopa County Community College</u>	<u>Maricopa County Government</u>	<u>State of Arizona (B)</u>	<u>Flood Control</u>
1994-95 P*	0.36	5.25	0.89	1.24	0.47	-
1994-95 S	0.99	3.74	-	-	-	0.36
1995-96 P*	0.36	5.28	0.95	1.16	0.47	-
1995-96 S	0.97	3.32	-	-	-	0.33
1996-97 P*	0.36	5.20	0.98	1.11	-	-
1996-97 S	0.97	3.32	0.07	0.16	-	0.34
1997-98 P*	0.35	5.06	0.97	1.13	-	-
1997-98 S	0.97	3.23	0.16	0.14	-	0.34
1998-99 P*	0.35	5.30	0.99	1.15	-	-
1998-99 S	0.97	3.73	0.13	0.13	-	0.33
1999-00 P*	0.38	5.01	0.97	1.19	-	-
1999-00 S	0.93	3.48	0.15	0.11	-	0.29
2000-01 P*	0.38	4.69	0.97	1.16	-	-
2000-01 S	0.92	3.27	0.15	0.12	-	0.25
2001-02 P*	0.38	4.99	0.96	1.18	-	-
2001-02 S	0.91	2.87	0.15	0.09	-	0.23
2002-03 P*	0.38	5.08	0.96	1.21	-	-
2002-03 S	0.90	2.71	0.15	0.08	-	0.21
2003-04 P*	0.38	4.69	0.94	1.21	-	-
2003-04 S	0.90	2.35	0.14	0.07	-	0.21

Note 1: For residents located within the following school districts, the statistics are as follows:

			<u>Mesa</u>	<u>Kyrene</u>	<u>Tempe High</u>	<u>Gilbert</u>
2003-04 Tax Rate	P*	\$	4.75	2.13	2.24	4.85
	S		2.40	1.96	1.05	3.60
2003-04 Tax Levy	P*	\$	112,263,866	33,173,432	63,921,636	51,315,552
	S		59,916,989	32,663,985	32,236,303	40,456,770

Note 2: Based on \$100 of Assessed Valuation, P* = Primary S = Secondary
Source: (A) Maricopa County Assessor's Office (B) State of Arizona (CIS)

Library and Fire Assistance	Hospital District	Central Arizona Project Total	East Valley Institute of Technology	Education Equalization	Total Rate
-	-	-	-	0.53	8.74
0.05	0.07	0.14	0.06	-	5.41
-	-	-	-	0.53	8.75
0.01	0.06	0.14	0.04	-	4.87
-	-	-	0.06	0.53	8.22
0.05	0.06	0.14	0.11	-	5.21
-	-	-	0.06	0.53	8.10
0.05	0.04	0.14	0.07	-	5.14
-	-	-	0.06	0.53	8.38
0.05	0.06	0.14	0.07	-	5.61
-	-	-	0.05	0.52	8.12
0.05	0.02	0.14	0.07	-	5.24
-	-	-	0.05	0.51	7.76
0.05	-	0.13	0.07	-	4.96
-	-	-	0.05	0.50	8.06
0.05	-	0.13	0.06	-	4.49
-	-	-	0.06	0.49	8.18
0.05	-	0.13	0.06	-	4.29
-	-	-	0.05	0.47	7.74
0.06	-	0.12	0.05	-	3.90

CITY OF CHANDLER, ARIZONA

PROPERTY TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years (A)

Tax Levies: (2)	<u>City of Chandler</u>	<u>Chandler Unifed School District (1)</u>	<u>Maricopa County Community College</u>	<u>Maricopa County Government</u>	<u>State of Arizona (B)</u>	<u>Flood Control</u>
1994-95 P*	\$ 1,813,165	\$ 17,682,761	\$ 118,841,866	\$ 164,865,317	\$ 101,934,235	-
1994-95 S	5,076,799	12,855,499	-	428,377	-	35,318,672
1995-96 P*	1,990,488	19,782,700	127,583,281	156,257,472	63,420,563	-
1995-96 S	5,632,436	13,079,452	23,643,816	20,670,863	-	36,078,354
1996-97 P*	2,216,615	22,186,907	136,570,230	154,487,036	-	-
1996-97 S	6,126,654	14,535,837	10,099,590	22,590,472	-	38,118,477
1997-98 P*	2,430,088	24,504,765	146,259,046	169,045,638	-	-
1997-98 S	7,040,766	16,342,625	25,143,528	21,446,852	-	42,339,342
1998-99 P*	2,730,357	29,588,815	158,026,342	183,750,071	-	-
1998-99 S	7,917,563	21,742,204	21,173,925	22,058,679	-	44,670,223
1999-00 P*	3,337,274	31,828,719	170,815,611	207,540,697	-	-
1999-00 S	8,587,981	23,028,314	28,833,135	20,264,381	-	44,310,754
2000-01 P*	3,941,711	37,462,185	187,642,684	225,396,514	-	-
2000-01 S	10,114,962	28,136,682	31,377,241	24,051,128	-	44,309,245
2001-02 P*	4,495,864	43,927,008	204,648,094	252,676,223	-	-
2001-02 S	11,319,490	26,779,368	34,930,475	20,071,906	-	45,322,696
2002-03 P*	4,793,607	49,118,834	221,156,802	277,949,612	-	-
2002-03 S	11,999,402	27,768,095	36,526,312	19,565,638	-	44,868,063
2003-04 P*	5,799,062	54,376,493	239,464,278	308,122,580	-	-
2003-04 S	14,745,383	29,277,839	37,777,314	19,234,591	-	51,153,993

Note 1: For residents located within the following school districts, the statistics are as follows:

		<u>Mesa</u>	<u>Kyrene</u>	<u>Tempe High</u>	<u>Gilbert</u>
2003-04 Tax Rate	P*	4.75	2.13	2.24	4.85
	S	2.40	1.96	1.05	3.60
2003-04 Tax Levy	P*	112,263,866	33,173,432	63,921,636	51,315,552
	S	59,916,989	32,663,985	32,236,303	40,456,770

Note 2: Based on \$100 of Assessed Valuation, P* = Primary S = Secondary

Source: (A) Maricopa County Assessor's Office (B) State of Arizona (CIS)

<u>Library and Fire Assistance</u>	<u>Hospital District</u>	<u>Central Arizona Project Total</u>	<u>East Valley Institute of Technology</u>	<u>Education Equalization</u>	<u>Total Levy</u>
-	-	-	-	\$ 70,502,331	\$ 475,639,675
7,085,645	844,018	18,929,645	2,863,873	-	83,402,528
-	-	-	-	71,516,805	440,551,309
2,915,806	813,568	19,767,209	3,842,930	-	126,444,434
-	-	-	3,231,860	74,071,041	392,763,689
7,605,530	873,583	20,080,420	6,120,184	-	126,150,747
-	-	-	3,672,969	79,533,234	425,445,740
8,265,184	668,982	22,012,897	4,274,560	-	147,534,736
-	-	-	4,246,713	84,891,508	463,233,806
8,815,645	1,144,708	23,536,796	5,130,129	-	156,189,872
-	-	-	3,970,493	91,109,039	508,601,833
9,736,723	483,234	26,147,456	5,922,133	-	167,314,111
-	-	-	4,786,052	99,193,054	558,422,200
10,786,836	-	27,141,030	6,155,098	-	182,072,222
-	-	-	5,197,584	106,221,394	617,166,167
11,732,514	-	29,787,075	6,258,774	-	186,202,298
-	-	-	6,119,631	112,231,223	671,369,709
12,155,883	-	31,805,013	6,175,823	-	190,864,229
-	-	-	5,613,388	120,037,513	733,413,314
16,247,269	-	33,010,980	6,429,195	-	207,876,564

CITY OF CHANDLER, ARIZONA

2003-04 PROPERTY TAX LEVIES APPLICABLE TO CHANDLER PROPERTY OWNERS

PRIMARY TAXES					
School Districts	Total Valuation	Within Chandler		Rate (Per \$100)	Chandler Portion
		Percent	Amount		
Chandler Unified	\$ 1,159,179,080	79.40	\$ 920,360,340	\$ 4.70	\$ 43,256,936
Mesa Unified	2,364,699,038	4.93	116,635,719	4.75	5,540,197
Gilbert Unified	1,058,689,074	2.97	31,474,155	4.85	1,526,497
Kyrene Elementary	1,559,423,591	29.34	457,598,669	2.13	9,746,852
Tempe Union High	2,859,909,827	-		2.24	-
Maricopa Community College	25,477,850,971	5.99	1,526,068,883	0.94	14,345,048
Total All Schools					<u>\$ 74,415,530</u>
City Wide Levies					
City of Chandler	\$ 1,526,068,883	100.00	\$ 1,526,068,888	\$ 0.38	\$ 5,799,062
Maricopa County	25,477,850,971	5.99	1,526,068,888	1.21	18,465,434
Central Arizona Water					
Conservation		-			-
Flood Control		-			-
State of Arizona	25,477,850,971	-	1,526,068,888		-
Library and Fire Assistance		-			-
Hospital District		-			-
East Valley Institute of					
Technology	12,331,112,598	12.38	1,526,068,888	0.05	763,034
Education Equalization	25,477,850,971	5.99	1,526,068,888	0.47	7,172,524
Total City-Wide Levies					<u>32,200,054</u>
TOTAL ALL LEVIES					<u>\$ 106,615,584</u>

Total Overall Tax Rates:

Inside Chandler Unified School District	<u>\$11.65</u>
Inside Kyrene/Tempe High School District	<u>\$11.98</u>
Inside Mesa Unified School District	<u>\$11.75</u>
Inside Gilbert Unified School District	<u>\$13.05</u>

Source: Maricopa County Finance Department and Assessor's Office.

SECONDARY TAXES

Total Valuation	Within Chandler		Rate (Per \$100)	Chandler Proportion of Levy	Total Chandler Proportion of Levy
	Percent	Amount			
\$ 1,244,759,096	79.42	\$ 988,641,671	\$ 2.35	\$ 23,233,079	\$ 66,490,015
2,491,663,621	5.00	124,707,353	2.40	2,992,976	8,533,173
1,124,065,140	3.13	35,212,889	3.60	1,267,664	2,794,161
1,665,048,018	29.42	489,814,019	1.96	9,600,355	19,347,207
3,064,882,568	-		1.05	-	-
27,477,987,528	5.96	1,638,375,932	0.14	2,293,726	16,638,774
				<u>\$ 39,387,800</u>	<u>\$ 113,803,330</u>
\$ 1,638,375,932	100.00	\$ 1,638,378,932	\$ 0.90	\$ 14,745,410	\$ 20,544,472
27,477,987,528	5.96	1,638,378,932	0.07	1,146,865	19,612,299
27,477,987,528	5.96	1,638,378,932	0.12	1,966,055	1,966,055
24,140,629,062	6.04	1,458,063,781	0.21	3,089,637	3,089,637
N/A	-	-	-	-	-
27,477,987,528	5.96	1,638,378,932	0.06	968,282	968,282
-	-	-	-	-	-
12,331,112,598	13.29	1,638,378,932	0.05	853,595	1,616,629
N/A	-	-	-	-	7,172,524.00
				<u>22,769,844</u>	<u>54,969,898</u>
				<u>\$ 62,157,644</u>	<u>\$ 168,773,228</u>

CITY OF CHANDLER, ARIZONA

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

	Total City Tax Levy	COLLECTIONS							
		Current		Delinquent		Total		Outstanding Delinquencies	
		Amount	% of Levy	Amount	% of Levy	Amount	% of Levy	Amount (1)	% of Levy
1994-95	\$ 6,889,964	\$ 6,786,981	98.5	\$ 282,432	4.1	\$ 7,069,413	102.6	\$ 163,539	2.4
1995-96	7,622,924	7,824,931	102.6	179,851	2.4	8,004,782	105.0	237,022	3.1
1996-97	8,343,269	8,668,735	103.9	151,476	1.8	8,820,211	105.7	308,838	3.7
1997-98	9,470,854	9,842,629	103.9	191,146	2.0	10,033,775	105.9	272,532	2.9
1998-99	10,647,920	10,957,416	102.9	157,506	1.5	11,114,922	104.4	289,456	2.7
1999-00	10,935,270	12,183,893	111.4	323,065	3.0	12,506,958	114.4	218,199	2.0
2000-01	14,056,673	14,041,449	99.9	147,004	1.0	14,188,453	100.9	248,465	1.8
2001-02	15,815,354	15,709,241	99.3	213,640	1.4	15,922,881	100.7	320,226	2.0
2002-03	16,793,009	17,429,004	103.8	275,088	1.6	17,704,092	105.4	86,554	0.5
2003-04	20,544,445	20,535,246	99.9	267,475	1.3	20,802,721	101.3	528,840	2.6

Source: (1) Maricopa County Assessor's Office.

CITY OF CHANDLER, ARIZONA

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

	<u>Assessments Due</u>	<u>Assessments Collected</u>	<u>Ratio of Collections To Amount Due</u>	<u>Total Outstanding Collections (1)</u>
1994-95	\$ 3,745,158	\$ 3,693,633	98.62	\$ 51,525
1995-96	3,232,574	3,199,847	98.99	32,727
1996-97	2,813,926	2,813,926	100.00	-
1997-98	1,814,614	1,814,614	100.00	-
1998-99	1,184,852	1,184,880	100.00	(28)
1999-00	456,148	456,148	100.00	-
2000-01	180,089	180,089	100.00	-
2001-02	174,920	167,445	95.73	7,475
2002-03	143,704	143,704	100.00	0
2003-04	136,553	140,645	103.00	(4,092)

Note 1: Under Arizona law, public auctions are held in January of each year at which disposition, of then delinquent assessments, is made. By bid, special lien rights to properties against which due but unpaid assessments exist are offered in return for payment of all outstanding amounts plus penalties. In the event there are no interested bidders, the delinquency must be satisfied from budgetary funds of the sponsoring governmental unit. Thus, in January of each year, all outstanding delinquent assessments are collected. The amounts shown in this column, if any, represent unpaid balances of the June 1 semi-annual interest installment only.

CITY OF CHANDLER, ARIZONA

RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUATION AND NET GENERAL BONDED DEBT PER CAPITA
Last Ten Fiscal Years

	<u>Population</u>	<u>Assessed Valuation</u>	<u>Principal General Bonded Debt</u>	<u>Less: 7/1 Debt Service Pmts</u>	<u>Net General Bonded Debt</u>	<u>% Net General Bonded Debt to Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
1994-95	\$ 125,388	\$ 512,807,949	\$ 50,200,000	\$ 3,090,000	\$ 47,110,000	9.2	\$ 376
1995-96	141,426	580,663,464	51,460,000	3,290,000	48,170,000	8.3	340.60
1996-97	151,420	631,613,770	56,330,000	2,875,000	53,455,000	8.5	353.02
1997-98	161,097	725,852,181	57,175,000	4,245,000	52,930,000	7.3	328.56
1998-99	171,047	816,243,568	59,880,000	5,025,000	54,855,000	6.7	320.70
1999-00	179,844	923,438,771	59,340,000	1,475,000	57,865,000	6.3	321.75
2000-01	189,318	1,099,452,357	65,905,000	1,655,000	64,250,000	5.8	339.38
2001-02	198,840	1,243,900,020	87,250,000	1,675,000	85,575,000	6.9	430.37
2002-03	211,984	1,333,266,930	106,970,000	4,490,000	102,480,000	7.7	483.43
2003-04	224,644	1,638,375,932	102,480,000	6,475,000	96,005,000	5.9	427

Note (1) Excludes General Obligation Bonded Debt that is being repaid from Enterprise revenues.

CITY OF CHANDLER, ARIZONA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES

Last Ten Fiscal Years

	Principal	Interest	Total Debt Service	Total General Expenditures	Percent
1994-95	\$ 1,040,000	\$ 3,655,113	\$ 4,695,113	\$ 69,122,505	6.8
1995-96	3,090,000	2,169,070	5,259,070	76,556,549	6.9
1996-97	4,313,731	2,043,435	6,357,166	95,192,361	6.7
1997-98	2,875,000	2,311,979	5,186,979	90,450,083	5.7
1998-99	5,025,000	2,296,155	7,321,155	104,720,964	7.0
1999-00	1,475,000	6,514,726	7,989,726	110,111,066	7.3
2000-01	1,655,000	6,924,065	8,579,065	118,041,931	7.3
2001-02	1,675,000	7,129,574	8,804,574	136,826,832	6.4
2002-03	4,490,000	6,417,796	10,907,796	144,932,184	7.5
2003-04	6,475,000	7,314,652	13,789,652	159,288,531	8.7

Note (1) Excludes General Obligation Bonded Debt that is being repaid from Enterprise revenues.

CITY OF CHANDLER, ARIZONA

**COMPUTATION OF LEGAL DEBT MARGIN
GENERAL OBLIGATION BONDS**

June 30, 2004

<u>2004 Valuation</u>		
Assessed Valuation	<u>\$ 1,805,748,800</u>	
	<u>6% Bonds (1)</u>	<u>20% Bonds (2)</u>
Legal Debt Limitation	\$ 108,344,928	\$ 361,149,760
Deduct Bonds Outstanding	<u>37,575,000</u>	<u>72,120,000</u>
Margin Available for Future G.O.B. Issues	<u>\$ 70,769,928</u>	<u>\$ 289,029,760</u>
Total Margin Available		<u>\$ 359,799,688</u>

Note 1: Under Arizona law, cities can issue general obligation bonds for all purposes other than those listed in Note (2) below, up to an amount not exceeding 6% of assessed valuation

Note 2: Under Arizona law, cities can issue general obligation bonds for purposes of water, wastewater and artificial light, and open space preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of assessed valuation.

Source: US Bancorp Piper Jaffray, Inc.

**COMPUTATION OF DIRECT AND OVERLAPPING
BONDED DEBT AND ASSESSED VALUATION**

June 30, 2004

	2003-04 Secondary Assessed Valuation (in millions)	Net Bonded Debt	Portion Applicable to the City of Chandler	
			%	Amount
City of Chandler	\$ 1,806	\$ 117,940,000	100.00 %	\$ 117,940,000
State of Arizona	44,481	none	4.06	none
Maricopa County	30,067	none	6.01	none
Maricopa County Community College District	30,067	234,440,000	6.01	14,080,466
East Valley Institute of Technology	13,339	6,235,000	13.54	844,032
Chandler Unified School District No. 80	1,392	122,630,000	79.10	97,004,009
Mesa Unified School District No. 4	2,669	208,155,000	5.05	10,503,501
Gilbert Unified School District No. 41	1,261	69,575,000	3.28	2,282,756
Kyrene Elementary School District No. 28	1,769	51,020,000	29.42	15,008,553
Tempe Union High School No. 213	3,230	<u>171,130,000</u>	16.11	<u>27,563,909</u>
Total Direct and Overlapping General Obligation Debt		<u>\$ 981,125,000</u>		<u>\$ 285,227,226</u>

Source: Peacock, Hislop, Staley & Given, Inc.

CITY OF CHANDLER, ARIZONA

**ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY**

Last Ten Fiscal Years

	<u>Real Estate</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Utilities Rails, Wire</u>	<u>Gross Valuation</u>	<u>Less Exemptions</u>	<u>Net Assessed Valuations</u>	<u>Percent of Increase</u>	(A) <u>Estimated Actual Cash Value</u>
1994-95 P*	399,563,152	Incl in R.E.	85,238,905	19,064,560	503,866,617	209,777	503,656,840	-67.00	
1994-95 S	153,559,222	255,137,320	85,238,905	19,081,928	513,017,375	209,426	512,807,949	-68.70	3,545,684,337
1995-96 P*	452,845,580	Incl in R.E.	80,582,480	19,683,632	553,111,692	198,224	552,913,468	9.78	
1995-96 S	156,132,885	324,446,114	80,582,480	19,700,256	580,861,735	198,271	580,663,464	13.23	4,234,436,623
1996-97 P*	534,500,329	Incl in R.E.	87,775,380	46,948,482	669,224,191	53,497,906	615,726,285	11.36	
1996-97 S	173,046,885	378,077,946	87,775,380	46,964,268	685,864,479	54,250,709	631,613,770	8.77	4,579,542,569
1997-98 P*	606,160,472	Incl in R.E.	95,169,303	46,478,997	747,808,772	53,497,906	694,310,866	12.76	
1997-98 S	186,772,137	451,582,909	95,253,219	46,494,625	780,102,890	54,250,709	725,852,181	14.92	5,394,116,278
1998-99 P*	679,235,590	Incl in R.E.	115,453,515	46,701,597	841,390,702	53,636,163	787,754,539	13.46	
1998-99 S	210,238,011	500,107,377	115,453,515	46,724,721	872,523,624	56,280,056	816,243,568	12.45	5,487,333,654
1999-00 P*	770,746,335	Incl in R.E.	114,682,430	49,221,311	934,650,076	56,420,203	878,229,873	11.49	
1999-00 S	233,884,071	585,595,402	114,682,430	49,264,155	983,426,058	59,987,287	923,438,771	13.13	6,924,106,131
2000-01 P*	887,887,801	Incl in R.E.	114,682,430	53,081,674	1,055,651,905	59,830,337	995,821,568	13.39	
2000-01 S	261,595,484	694,957,817	114,682,430	53,135,497	1,124,371,228	66,249,033	1,058,122,195	14.58	7,361,557,694
2001-02 P*	1,040,269,420	Incl in R.E.	161,820,085	62,360,508	1,264,450,013	81,327,995	1,183,122,018	18.81	
2001-02 S	1,117,966,751	Incl in R.E.	161,820,085	62,378,730	1,342,165,566	98,265,546	1,243,900,020	17.56	8,368,335,959
2002-03 P*	1,150,010,316	Incl in R.E.	144,187,125	30,810,045	1,325,007,486	63,531,894	1,261,475,592	6.62	
2002-03 S	1,248,354,270	Incl in R.E.	144,187,125	30,827,856	1,423,369,251	90,102,321	1,333,266,930	7.18	8,981,174,789
2003-04 P*	\$ 1,372,124,058	\$ Incl in R.E.	\$ 198,078,400	\$ 37,091,309	\$ 1,607,293,767	\$ 81,224,884	\$ 1,526,068,883	20.97	
2003-04 S	1,521,017,420	Incl in R.E.	198,078,400	37,116,372	1,756,212,192	117,836,260	1,638,375,932	22.88	\$ 10,999,084,221

Note A: Property tax legislation approved by the voters on June 3, 1980 created primary (P) and secondary (S) valuation bases. Taxes levied on primary valuations are for maintenance and operations of counties, cities, school districts, community college districts, and the State. Taxes levied on secondary valuations are for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts. In 1968, a statewide reappraisal program was completed in which a property's value was assessed by usage classification on varying percentages of actual cash value. Legislation has altered the percentages utilized in determining assessed valuation of various categories of property in subsequent years as follows:

	<u>1968 Ratio</u>	<u>1974 Ratio</u>	<u>1980 Ratio</u>	<u>2001 Ratio</u>
1. (mines,timbers,airlines,etc.)	60 %	60 %	52 %	25 %
2. (utilities)	40	50	44	25
3. (commercial)	25	27	25	25
4. (agricultural and vacant land)	18	18	16	16
5. (homes)	18	15	10	10
6. (apartments)	18	21	18	10
7. (railroads)	60	36	34	21

Classes 1 and 2 will be reduced annually until 1999. From 1999 and thereafter, they will remain fixed at 25%. For fiscal year 1989 and thereafter, the percentages for class 7 are calculated annually based on the ratio of the total assessed valuation of all mining, utility and commercial properties to the total full cash value of such properties.

P* Primary valuations
S Secondary valuations

Source: Maricopa County Assessor's Office

CITY OF CHANDLER, ARIZONA

ESTIMATED ASSESSED VALUATIONS OF MAJOR TAXPAYERS

<u>Taxpayer</u>	<u>Description</u>	<u>2003-2004 Assessed Valuation(1)</u>	<u>Percent of City's 2003-2004 Secondary Assessed Valuation</u>
Intel Corporation	Manufacturing Plant	\$ 97,448,324	5.40 %
Freescale Semiconductor	Commercial Building	71,890,305	3.98
TWC-Chandler LLC	Shopping Centers	28,352,913	1.57
Qwest Corporation	Telecommunications	20,927,982	1.16
Basha's Inc.	Truck Terminal	9,206,191	0.51
Motorola Inc.	Manufacturing	8,700,988	0.48
Chandler Festival SPE LLC	Shopping Center	7,877,012	0.44
Avnet Inc.	Warehousing	7,125,140	0.39
San Tan Office Venture	Office Building	6,868,330	0.38
Microchip Technology Inc.	Manufacturing	6,629,320	0.37
		<u>\$ 265,026,505</u>	<u>14.68 %</u>

Source: Peacock, Hislop, Staley & Given, Inc.

CITY OF CHANDLER, ARIZONA

SCHEDULE OF REVENUE BOND COVERAGE

HIGHWAY USERS FUND

Last Ten Fiscal Years

	Gross Revenue and Transfers In	Debt Service Requirement			Coverage	Required
		Principal	Interest	Total		
1994-95	6,236,739	750,000	1,239,869	1,989,869	3.13	2.0
1995-96	6,797,164	810,000	1,636,526	2,446,526	2.78	2.0
1996-97	8,848,784	865,000	1,846,102	2,711,102	3.26	2.0
1997-98	8,805,770	1,010,000	1,788,272	2,798,272	3.15	2.0
1998-99	9,574,791	1,005,000	2,666,225	3,671,225	2.61	2.0
1999-00	9,868,216	1,140,000	2,682,788	3,822,788	2.58	2.0
2000-01	10,215,420	420,000	2,787,849	3,207,849	3.18	2.0
2001-02	11,200,136	1,910,000	2,460,983	4,370,983	2.56	2.0
2002-03	11,535,170	2,025,000	2,021,322	4,046,322	2.85	2.0
2003-04	\$ 12,335,388	\$ 2,110,000	\$ 2,255,270	\$ 4,365,270	2.83	2.0

ENTERPRISE FUNDS

Last Ten Fiscal Years

Water and Sewer Revenue Bonds

	Gross Revenue and Net Operating Transfers	Expense Excluding Depreciation	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage	Required Coverage
				Principal	Interest	Total		
1994-95	32,419,062	14,655,530	17,763,532	1,960,000	4,119,080	6,079,080	2.92	1.2
1995-96	40,665,972	18,553,907	22,112,065	2,020,000	4,156,276	6,176,276	3.58	1.2
1996-97	41,058,807	21,676,307	19,382,500	1,630,000	4,036,355	5,666,355	3.42	1.2
1997-98	40,685,946	19,632,375	21,053,571	1,845,000	5,047,680	6,892,680	3.05	1.2
1998-99	43,977,113	22,336,963	21,640,150	1,805,000	5,489,933	7,294,933	2.97	1.2
1999-00	45,737,916	25,500,386	20,237,530	3,305,000	5,596,306	8,901,306	2.27	1.2
2000-01	37,303,967	26,931,098	10,372,869	4,430,000	4,813,294	9,243,294	1.12	1.2
2001-02	50,414,214	29,062,343	21,351,871	5,110,000	5,128,133	10,238,133	2.09	1.2
2002-03	55,973,541	33,136,452	22,837,089	6,470,000	5,538,828	12,008,828	1.90	1.2
2003-04	55,608,809	36,382,039	19,226,770	7,490,000	5,965,401	13,455,401	1.43	1.2

Solid Waste System Revenue Bonds

1996-97	7,142,492	4,671,379	2,471,113	—	68,020	68,020	36.33	1.2
1997-98	6,812,437	4,847,392	1,965,045	50,000	132,948	182,948	10.74	1.2
1998-99	6,991,747	5,124,323	1,867,424	100,000	236,813	336,813	5.54	1.2
1999-00	7,464,471	5,894,509	1,569,962	100,000	229,750	329,750	4.76	1.2
2000-01	8,132,130	6,423,477	1,708,653	100,000	222,688	322,688	5.30	1.2
2001-02	8,512,593	7,777,349	735,244	125,000	215,750	340,750	2.16	1.2
2002-03	9,156,049	13,627,896 *	(4,471,847)	125,000	206,969	331,969	-13.47	1.2
2003-04	9,729,384	9,035,882	693,502	125,000	152,469	277,469	2.50	1.2

* Expenses for FY 03 include \$5,323,714 in landfill closure and postclosure costs. The amount expended in FY 02 was \$812,319. The increase in comparable amounts is due to an increase in costs related to a change in the planned usage of the property following closure.

CITY OF CHANDLER, ARIZONA

PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years

CONSTRUCTION (1)								
	COMMERCIAL		RESIDENTIAL		PROPERTY VALUE (2)			
	NUMBER OF PERMITS	VALUE	NUMBER OF DWELLING UNITS	VALUE	COMMERCIAL	RESIDENTIAL		
1994-95	28	\$ 55,645,466	3,676	\$ 368,726,421	\$ 1,145,826,152	\$ 2,503,833,920		
1995-96	263	524,093,052	4,068	467,519,924	1,240,313,909	2,935,398,110		
1996-97	74	12,979,908	1,870	269,681,765	1,310,983,269	3,268,559,300		
1997-98	106	12,966,279	3,246	391,236,063	1,391,222,454	4,026,328,070		
1998-99	36	4,668,861	2,748	427,549,093	1,572,206,486	4,374,773,420		
1999-00	251	1,883,204,934	2,593	590,628,302	1,788,243,626	5,038,718,960		
2000-01	540	517,398,936	5,420	643,755,107	2,160,569,208	5,933,501,040		
2001-02	407	161,898,626	2,868	567,872,409	2,469,261,239	6,664,077,870		
2002-03	292	113,355,800	6,922	1,365,088,985	2,672,711,661	7,080,253,590		
2003-04	261	77,425,246	4,113	835,831,357	3,247,128,508	8,738,220,190		

Note (1) Source - City Building Inspection Program.

Note (2) Source - Estimated actual value Secondary Assessed Valuation,
Maricopa Co. Assessors Office for years 1992 to 2001

CITY OF CHANDLER, ARIZONA

SYSTEM DEVELOPMENT FEES BY FUND

Last Ten Fiscal Years

	Capital Projects Funds				Enterprise Funds			
	Streets	Community Services	Public Works and General Government	Public Safety Buildings and Improvements	Water	Wastewater	Solid Waste	Total
1993-94	\$ 15,850	\$ 1,308,826	-	-	\$ 4,512,569	\$ 4,745,540	\$ 340,185	\$ 10,922,970
1994-95	38,354	1,680,968	-	-	6,463,246	6,523,133	443,760	15,149,461
1995-96	44,961	1,748,690	-	-	6,550,308	6,620,689	313,439	15,278,087
1996-97	438,523	1,404,012	\$ 318,790	\$ 262,485	6,713,962	3,345,097	260,806	12,743,675
1997-98	3,850,461	2,610,610	1,182,617	999,537	7,456,292	4,864,796	319,564	21,283,877
1998-99	1,545,997	730,818	904,644	979,920	7,637,980	4,570,885	291,034	16,661,278
1999-00	2,674,767	2,425,052	1,112,512	1,387,919	8,262,984	5,004,778	249,254	21,117,266
2000-01	3,760,159	2,822,204	1,222,923	1,588,944	9,704,119	4,520,896	261,796	23,881,041
2001-02	2,807,229	3,637,944	877,193	998,346	12,735,073	4,564,949	274,176	25,894,910
2002-03	1,622,002	4,298,047	1,020,450	1,164,854	13,055,419	5,038,674	335,274	26,534,720
2003-04	\$ 6,389,512	\$ 6,045,702	1,234,855	1,495,122	\$ 18,128,543	\$ 6,914,410	\$ 406,874	\$ 40,615,018

Source: City of Chandler, Arizona, Comprehensive Annual Financial Report
Capital Projects and Enterprise Funds, Budget Basis

CITY OF CHANDLER, ARIZONA

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population (1)	Median Household Income (4)	Median Age (2)	Unemployment Rate Percentage (3)
1994-95	125,388	\$ 46,618	28.8	4.2
1995-96	141,426	48,732	28.8	2.4
1996-97	151,420	47,478	30.6	2.2
1997-98	161,097	47,478	30.6	1.8
1998-99	171,047	47,478	30.6	1.8
1999-00	179,844	46,096	30.6	1.7
2000-01	189,498	66,737	31.2	2.8
2001-02	198,840	66,737	31.2	4.2
2002-03	211,984	66,737	31.2	4.0
2003-04	224,644	71,190	31.2	3.1

Sources:

(1) City Economic Development, Planning Staff and Official Census.

(2) Chandler Chamber of Commerce; Arizona Gold.

(3) Arizona Department of Economic Security.

(4) Estimate based on Maricopa County statistical figures.

CITY OF CHANDLER, ARIZONA

MISCELLANEOUS STATISTICAL DATA

Date of Incorporation: February 17, 1920			
Date Charter Adopted: May 25, 1964			
Form of Government: Council-Manager			
<hr/>			
Area (Square Miles)	63.186	Refuse Collection:	
Population	224,644	Customers Served	59,121
Assessed Valuation :		Refuse Collected (Tons)	134,952
Primary	\$1,709,977,241	Refuse Recycled (Tons)	21,871
Secondary	\$1,805,748,802	Sewer:	
Privilege Tax Licenses Issued	3,618	Miles of Lines	780
Employees (Total):	1,469	Water:	
Governmental	1,317	Connections	66,105
Enterprise	152	Daily Pumping Capacity-Wells (Gallons)	55,800,000
Employees Per 1,000 Population	6.53	Total Daily Pumping Capacity-Plant (Gallons)	45,000,000
Police:		Building Inspections:	
Employees (full-time)	451	Building Permits Issued	11,688
Traffic Accidents	4,588	Construction Valuation	\$1,109,945,889
Traffic Citations	38,531	Municipal Parks:	
Total Calls for Police Services	113,501	Developed Parks	51
Fire:		Developed Acres	870
Fire Stations	8	Swimming Pools	5
Employees (full-time)	180	Other Recreation Facilities	29
Fire Inspections	2,236	Library:	
Fire Investigations	33	Bookstock (City-owned)	415,515
Fire Calls	347	Circulation	1,817,536
Emergency Calls	11,750	Registered Borrowers	124,786
Other Calls	2,463	Education System:	
Streets:		Elementary	28
Total Miles (Center Line)	851	Junior High	6
Street Lights	23,140	High School	3
Signalized Intersections	153	Community College	1
		Private University	1



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